

Morehouse College, Savannah State College, Shorter College, Spring Hill College, University of Miami.

GREAT SOUTHWEST

Arkansas Agricultural and Mechanical, Arkansas Agricultural, Mechanical, and Normal, Bishop College, Dillard University, Houston-Tillotson College, Oklahoma City University, Our Lady of the Lake College, Phillips College, Southern University and Agricultural and Mechanical College, Southwest Texas State Teachers College, Southwestern University, Tulane University of Louisiana, University of Oklahoma, University of Texas, Xavier University.

ILLINOIS-WISCONSIN

Augustane College; Barat College of the Sacred Heart; George Williams College; Lewis College; Mount Mary College; Mundelein College; Northwestern University; Rockford College; Roosevelt University; Rosary College; University of Chicago; University of Illinois; University of Wisconsin; University of Wisconsin, Milwaukee; Wheaton College.

IOWA-NEBRASKA

Central College, Grinnell College, Iowa State College, Simpson College, State University of Iowa, University of Dubuque, Wartburg College.

KENTUCKY-TENNESSEE

Ballarmine College, Centre College of Kentucky, Fisk University, George Peabody College, Kentucky State College, King College, LeMoyne College, Maryville College, Nazareth College, Southwestern at Memphis, Transylvania College, University of Louisville, Vanderbilt University.

MASON-DIXON

American University; Catholic University of America; College of Notre Dame of Maryland; Coppin State Teachers College; Dunbarton College of the Holy Cross; Howard University; Loyola College; Maryland State Teachers College, Frostburg; Maryland State Teachers College, Towson; Morgan State Teachers College; Trinity College; University of Baltimore; Washington College.

METROPOLITAN NEW YORK

Barnard College; City College of New York, Baruch Day; City College of New York, Baruch Evening; City College of New York, Main Day; City College of New York, Main Evening; College of New Rochelle; Columbia College; Columbia University; Fordham College; Fordham School of Education; Good Counsel College; Hunter College, Bronx; Hunter College, School of General Studies (evening); Manhattan College; Manhattanville College of the Sacred Heart; Marymount College, New York City; Marymount College, Tarrytown; New York University, Heights; New York University, School of Education; New York University, Washington Square;

Notre Dame College of Staten Island; Pace College; Pratt Institute; Queens College; St. John's College; St. John's University College; St. Joseph's College; Sarah Lawrence College; Wagner College; Yeshiva College.

MICHIGAN

Bay City Junior College, Flint Junior College, Ferris Institute, Hope College, Marygrove College, Mercy College, Michigan College of Mining and Technology, Northern Michigan College of Education, University of Michigan, Wayne State University.

MINNESOTA-DAKOTAS

Augsburg College; Bethel College and Seminary; Carleton College; College of St. Benedict; College of St. Catherine; College of St. Thomas; Concordia College; Dickinson College; Gustavus Adolphus College; Hamline University; Huron College; Hibbing Junior College; Macalester College; North Dakota Agricultural College; St. John's University; St. Mary's College; University of Minnesota, Duluth; University of Minnesota, Minneapolis; Yankton College.

MISSOURI-KANSAS

Cottey College; College of Emporia; College of St. Theresa; Fontbonne College; Kansas State Teachers College, Pittsburg; Lincoln University; Marymount College; Maryville College; Mt. St. Scholastica College; St. Benedict's College; University of Kansas; University of Kansas City; University of Missouri; Webster College; William Jewell College.

NEW ENGLAND

Albertus Magnus College; American International College; Babson Institute of Business Administration; Bennington College; Bradford Junior College; Brandeis University; Brown University; Colby College; Colby Junior College; Dartmouth College; Emmanuel College; Garland Junior College; Harvard University; Harvard-Radcliffe Graduate Council; Hillyer College; Massachusetts Institute of Technology; Mitchell College; Mt. Holyoke College; Mt. St. Mary's College; Newton College of the Sacred Heart; Pembroke College; Quinnipiac College; Radcliffe College; Regis College; St. Joseph's College; Simmons College; Skidmore College; Smith College; State College, Keene, N. H.; State Teachers College, Bridgewater, Mass.; State Teachers College, Castleton, Vt.; State Teachers College, Framingham, Mass.; State Teachers College, Salem, Mass.; State Teachers College, Westfield, Mass.; Trinity College; University of Bridgeport; University of Maine; University of Rhode Island; Wellesley College; Wheaton College; Wheelock College; Worcester Junior College.

NEW JERSEY

College of St. Elizabeth; Douglass College; Drew University; Fairleigh-Dickinson College; Jersey City Junior College; Rutgers

University; St. Peter's College; Seton Hall University; State Teachers College, Newark; Upsala College.

NEW YORK STATE

Alfred Agricultural and Technical Institute (of State University of New York); Alfred University; Bard College; Canisius College; College of St. Rose; Cornell University; D'Youville College; Erie County Technical Institute; Harpur College; Hartwick College; LeMoyne College; Niagara University; Orange County Community College; Rochester Institute of Technology; Rosary Hill College; Russell Sage College; Siena College of St. Bernardine; State Teachers College, Brockport; State Teachers College, Buffalo; State Teachers College Cortland; State Teachers College, Fredonia; State Teachers College, New Paltz; Union College; University of Buffalo; University of Rochester; University of Rochester, School of Nursing; Vassar College.

OHIO-INDIANA

Antioch College, Baldwin-Wallace College, Capital University, College of Wooster, Defiance College, Denison University, DePauw University, Fenn College, Fenn College (evening session), Indiana University, John Carroll University, Muskingum College, Oberlin College, Ohio State University, St. Mary's College, Taylor University, University of Notre Dame, Ursuline College, Wilberforce University, Wilmington College, Youngstown University, Western College for Women.

PENNSYLVANIA-WEST VIRGINIA

Alderson-Broaddus College, Allegheny College, Alliance College, Beaver College, Bethany College, Bryn Mawr College, Cedar Crest College, Chatham College, Chestnut Hill College, Dickinson College, Drexel Institute of Technology, Franklin and Marshall College, Gannon College, Grove City College, Harcum Junior College, Immaculata College, Juniata College, Lincoln University, Lycoming College, Mercyhurst College, Mount Mercy College, Pennsylvania State University, Rosemont College, St. Francis College, St. Vincent College, Seton Hall College, Sheppard College, Swarthmore College, Temple University, University of Pennsylvania (women's student government), West Virginia State College, West Virginia University, West Virginia Wesleyan College.

ROCKY MOUNTAIN

Colorado State College, Colorado Women's College, Loretto Heights College, Regis College, University of Colorado, University of New Mexico.

UTAH

Brigham Young University, College of Southern Utah (of Utah State University), University of Utah, Utah State University, Weber College.

SENATE

WEDNESDAY, JULY 23, 1958

The Senate met at 10 o'clock a. m.

The Chaplain, Rev. Frederick Brown Harris, D. D., offered the following prayer:

Almighty God, in this morning hour we bow in Thy presence, solemnly conscious of impending events which may shape the future and fix the destiny of unnumbered hosts whose anguished longings are like the sound of angry waters.

As with deep gratitude we think of our Nation, conceived in liberty and dedicated to the common rights of man,

may we fear nothing but to fail humanity and Thee.

To the councils of our leaders, whose words and acts are fraught with such awesome responsibility, give wisdom above and beyond their fallible judgments. Lead, Kindly Light, amid the encircling gloom, as obediently we follow step by step.

In the Redeemer's name. Amen.

THE JOURNAL

On request of Mr. JOHNSON of Texas, and by unanimous consent, the reading of the Journal of the proceedings of Tuesday, July 22, 1958, was dispensed with.

COMMITTEE MEETINGS DURING SENATE SESSION

On request of Mr. JOHNSON of Texas, and by unanimous consent, the Judiciary Committee was authorized to meet during the sessions of the Senate for the remainder of the week.

On request of Mr. SPARKMAN, and by unanimous consent, the Committee on Interior and Insular Affairs was authorized to meet during the session of the Senate today.

MEETING OF PREPAREDNESS SUBCOMMITTEE TOMORROW, TO HEAR THE SECRETARY OF DEFENSE

Mr. JOHNSON of Texas. Mr. President, I call attention to a release which

has been issued by the Preparedness Subcommittee; I shall read the release into the RECORD, so all Members of the Senate may be on notice:

Chairman LYNDON B. JOHNSON announced today that the Senate Preparedness Subcommittee will hear Secretary of Defense Neil H. McElroy testify Thursday on the progress that has been made in the Nation's defense program since the subcommittee concluded its hearings on missiles and satellites in January.

Mr. McElroy will appear at 11 a. m., in an open hearing in room G-16 of the Capitol.

When the hearings concluded in January the subcommittee issued an interim report containing 17 recommendations. Mr. McElroy agreed to appear from time to time to discuss with the subcommittee progress that was being made on the recommendations.

The meeting has been called in that connection.

Therefore, Mr. President, I ask unanimous consent that the subcommittee may meet during tomorrow's session of the Senate.

The VICE PRESIDENT. Without objection, it is so ordered.

LIMITATION OF DEBATE DURING MORNING HOUR

Mr. JOHNSON of Texas. Mr. President, under the rule, there will be the usual morning hour; and I ask unanimous consent that statements in connection therewith be limited to 3 minutes.

The VICE PRESIDENT. Without objection, it is so ordered.

EXECUTIVE SESSION

Mr. JOHNSON of Texas. Mr. President, I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

The VICE PRESIDENT. If there be no reports of committees, the nominations on the calendar will be stated.

POSTMASTERS

The Chief Clerk proceeded to read sundry nominations of postmasters.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that these nominations be considered en bloc.

The VICE PRESIDENT. Without objection, the nominations will be considered en bloc; and, without objection, they are confirmed.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the President be immediately notified of the confirmation of these nominations.

The VICE PRESIDENT. Without objection, the President will be notified forthwith.

LEGISLATIVE SESSION

Mr. JOHNSON of Texas. Mr. President, I move that the Senate resume the consideration of legislative business.

The motion was agreed to; and the Senate resumed the consideration of legislative business.

LEGISLATIVE PROGRAM

Mr. JOHNSON of Texas. Mr. President, I announce that we expect to have the Senate proceed to the consideration of Calendar 1867, Senate Resolution 264, favoring the establishment of an International Development Association.

We also expect to have the Senate consider Calendar 1762, House Concurrent Resolution 332, relative to the establishment of plans for the peaceful exploration of outer space;

Calendar 1917, Senate Concurrent Resolution 109, expressing the sense of the Congress on the establishment of the United Nations Emergency Force;

Calendar 1872, House bill 13088, the salary bill for the Metropolitan Police and Fire Departments—as previously announced;

Calendar 1838, Senate bill 3957, the salary bill for teachers in the District of Columbia Public Schools;

Calendar 1866, House bill 7576, to further amend the Federal Civil Defense Act of 1950, as amended; and

Calendar 1801, Senate bill 4071, the farm bill.

It may be necessary for the sessions to continue late in the evenings for the remainder of the week.

We hope it will be possible for the Senate to complete its action on the farm bill before the end of the week. If that proves to be possible, it may be—and I use the word "may"—possible to avoid a Saturday session, so that Members may clean up their correspondence and may take care of their other duties, including speaking engagements.

I hope the Senate will pass the farm bill this week.

Of course, appropriation bills have priority, and conference reports being privileged, may be called up at any time.

I should like to have all Members on notice of this program.

EXECUTIVE COMMUNICATIONS, ETC.

The VICE PRESIDENT laid before the Senate the following letters, which were referred as indicated.

REVOLVING FUND FOR CERTAIN LOANS BY THE SECRETARY OF AGRICULTURE

A letter from the Secretary of Agriculture, transmitting a draft of proposed legislation to provide a revolving fund for certain loans by the Secretary of Agriculture, for improved budget and accounting procedures, and for other purposes (with an accompanying paper); to the Committee on Agriculture and Forestry.

REPORT ON REVIEW OF DEFERRED MAINTENANCE PROGRAM, DEPARTMENT OF THE ARMY

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on review of deferred maintenance program, Corps of Engineers (Civil Functions), Department of the Army, dated December 1957 (with an accompanying report); to the Committee on Government Operations.

REPLY TO REPORT ON PROCUREMENT OF ENERGA GRENADES BY ORDNANCE PROCUREMENT CENTER, UNITED STATES ARMY, EUROPE

A letter from the Comptroller General of the United States, transmitting a copy of the reply of the Deputy Assistant Secretary of the

Army (Logistics), dated January 10, 1958, to the report on procurement of Energa grenades by the Ordnance Procurement Center, United States Army, Europe, recommending that the Department of the Army provide specific regulations for adequate testing of military items prior to procurement, or during the preliminary production phases in the case of so-called crash procurements, in order to assure early detection of defects and the initiation of appropriate modifications (with an accompanying paper); to the Committee on Government Operations.

AMENDMENT OF FEDERAL PROPERTY AND ADMINISTRATIVE SERVICES ACT OF 1949, RELATING TO AUTHORITY TO PAY CERTAIN EXPENSES

A letter from the Administrator, General Services Administration, Washington, D. C., transmitting a draft of proposed legislation to amend the Federal Property and Administrative Services Act of 1949 to extend the authority of the Administrator of General Services to pay direct expenses in connection with the utilization of excess property, and for other purposes (with accompanying papers); to the Committee on Government Operations.

PROPOSED CONCESSION CONTRACT, HOT SPRINGS NATIONAL PARK, ARK.

A letter from the Assistant Secretary of the Interior, transmitting, pursuant to law, a proposed concession contract in Hot Springs National Park, Ark. (with accompanying papers); to the Committee on Interior and Insular Affairs.

REPORT ON PAYMENT OF CLAIMS ARISING FROM CORRECTION OF MILITARY RECORDS OF COAST GUARD PERSONNEL

A letter from the Acting Secretary of the Treasury, transmitting, pursuant to law, a report covering claims paid during the 6 months' period ended June 30, 1958, on account of the correction of military records of Coast Guard personnel (with an accompanying report); to the Committee on Armed Services.

ADJUSTMENT OF IMMIGRATION STATUS OF CERTAIN ALIENS

Two letters from the Commissioner, Immigration and Naturalization Service, Department of Justice, transmitting, pursuant to law, copies of orders entered in the case of certain aliens relating to adjustment of their immigration status (with accompanying papers); to the Committee on the Judiciary.

PETITIONS AND MEMORIALS

Petitions, etc., were laid before the Senate, or presented, and referred as indicated:

By the VICE PRESIDENT:

A resolution adopted by L. S. W. U. Local No. 2257, of Orofino, Idaho, relating to the strength of the National Guard; to the Committee on Armed Services.

A resolution adopted by the Housing Authority of the city of Los Angeles, Calif., approving in principle the provisions of title IV of Senate bill 4035, the Housing Act of 1958; to the Committee on Banking and Currency.

A resolution adopted by the United Hungarian Societies of Cleveland, Ohio, expressing appreciation for the position taken by the Government concerning the actions of Communists against the people of Hungary; to the Committee on Foreign Relations.

Memorials signed by sundry citizens of the United States, remonstrating against the enactment of legislation to change the east front of the Capitol Building in the District of Columbia; to the Committee on Public Works.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. O'MAHONEY, from the Committee on Interior and Insular Affairs, without amendment:

S. 765. A bill to increase the authorization for the appropriation of funds to complete the International Peace Garden, North Dakota (Rept. No. 1885).

By Mr. O'MAHONEY, from the Committee on Interior and Insular Affairs, with amendments:

S. 3448. A bill to permit the Secretary of the Interior to fix the size of farm units on the Seedskaadee reclamation project at more than 160 irrigable acres in certain circumstances (Rept. No. 1906).

By Mr. ANDERSON, from the Committee on Interior and Insular Affairs, without amendment:

H. R. 8645. An act to amend section 9, subsection (d), of the Reclamation Project Act of 1939, and for other related purposes (Rept. No. 1907).

By Mr. EASTLAND, from the Committee on the Judiciary, without amendment:

S. 163. A bill to extend the period for filing claims under the War Claims Act of 1948 (Rept. No. 1889).

S. 3316. A bill for the relief of Kiyoshi Ueda (Rept. No. 1890).

S. 3330. A bill for the relief of Leopoldo Rodriguez-Meza and Adela Rodriguez Gonzales (Rept. No. 1891).

S. 3665. A bill for the relief of Choe Kum Bok (Rept. No. 1892).

S. 3749. A bill for the relief of Milan Boric (Rept. No. 1893).

S. 3874. A bill to amend section 4083, title 18, United States Code, relating to penitentiary imprisonment (Rept. No. 1894).

S. 3875. A bill to amend section 2412 (b), title 28, United States Code, with respect to the taxation of costs (Rept. No. 1895).

S. 3976. A bill for the relief of Salvatore Verdernali (Rept. No. 1896).

H. R. 2083. An act for the relief of Carl A. Willson (Rept. No. 1911).

H. R. 5062. An act for the relief of Albert H. Ruppert (Rept. No. 1912).

H. R. 6405. An act for the relief of Arnie W. Lohman (Rept. No. 1913).

H. R. 6492. An act for the relief of Maj. Harold J. O'Connell (Rept. No. 1914).

H. R. 6824. An act for the relief of the family of Joseph A. Morgan (Rept. No. 1915).

H. R. 7375. An act for the relief of Edward J. Doyle and Mrs. Edward J. (Billie M.) Doyle (Rept. No. 1916).

H. R. 7660. An act for the relief of Dan Hill (Rept. No. 1917).

H. R. 9181. An act for the relief of Herbert H. Howell (Rept. No. 1918).

H. R. 9222. An act for the relief of Dr. Edgar Scott (Rept. No. 1919).

H. R. 9885. An act for the relief of Frank A. Gyescek (Rept. No. 1920).

H. R. 10142. An act for the relief of Hugh Lee Fant (Rept. No. 1921).

H. R. 10260. An act for the relief of Natale H. Bellocchi and Oscar R. Edmondson (Rept. No. 1922); and

H. R. 11549. An act to provide for the preparation of a proposed revision of the Canal Zone Code, together with appropriate ancillary material (Rept. No. 1897).

By Mr. EASTLAND, from the Committee on the Judiciary, with an amendment:

S. 1439. A bill to amend title 28, United States Code, with respect to fees of United States marshals (Rept. No. 1898).

S. 2052. A bill for the relief of Heinz Farmer (Rept. No. 1899).

S. 2989. A bill for the relief of Salvador Miranda (Rept. No. 1900).

S. 3615. A bill for the relief of Wendy Levine (Rept. No. 1901).

S. 3790. A bill for the relief of Marie Silk (Rept. No. 1902);

S. 3876. A bill to provide for the relocation of the National Training School for Boys, and for other purposes (Rept. No. 1903);

H. R. 1574. An act for the relief of Albert Hyrapiet (Rept. No. 1904);

H. R. 2677. An act for the relief of former S. Sgt. Edward R. Stouffer (Rept. No. 1908);

H. R. 2966. An act for the relief of Harry F. Lindall (Rept. No. 1909);

H. R. 10805. An act for the relief of certain persons who sustained damages by reason of fluctuations in the water level of the Lake of the Woods (Rept. No. 1910); and

H. R. 11874. An act to record the lawful admission for permanent residence of certain aliens who entered the United States prior to June 28, 1940 (Rept. No. 1905).

By Mr. LANGER, from the Committee on the Judiciary, with amendments:

S. 761. A bill for the relief of Charles C. and George C. Finn (Rept. No. 1887).

By Mr. O'MAHONEY, from the Committee on the Judiciary, with amendments:

S. 1416. A bill granting the consent and approval of Congress to a Great Lakes Basin Compact, and for related purposes (Rept. No. 1888).

By Mr. WATKINS, from the Committee on the Judiciary, with amendments:

S. 1450. A bill conferring jurisdiction on the Court of Claims to make a certain finding with respect to the amount of compensation to which certain individuals are entitled as reimbursement for damages sustained by them as a result of the cancellation of their grazing permits by the United States Air Force, and to provide for payments of amounts so determined to such individuals (Rept. No. 1923).

By Mr. KEFAUVER, from the Committee on the Judiciary, without amendment:

H. R. 1772. An act for the relief of Sigfried Olsen Shipping Co. (Rept. No. 1924).

By Mr. McNAMARA, from the Committee on Labor and Public Welfare, with amendments:

H. R. 11378. An act to amend Public Laws 815 and 874, 81st Congress, to make permanent the programs providing financial assistance in the construction and operation of schools in areas affected by Federal activities, insofar as such programs relate to children of persons who reside and work on Federal property, to extend such programs until June 30, 1961, insofar as such programs relate to other children, and to make certain other changes in such laws (Rept. No. 1929); and

H. R. 12140. An act to amend the act of December 2, 1942, and the act of August 16, 1941, relating to injury, disability, and death resulting from war-risk hazards and from employment, suffered by employees of contractors of the United States, and for other purposes (Rept. No. 1886).

By Mr. HAYDEN, from the Committee on Rules and Administration, without amendment:

S. Con. Res. 107. Concurrent resolution to print additional copies of hearings on "Inquiry into satellite and missile programs";

H. Con. Res. 325. Concurrent resolution to authorize the Joint Committee on Atomic Energy to print for its use 10,000 copies of the public hearings on "Physical research program as it relates to the field of atomic energy";

H. Con. Res. 344. Concurrent resolution authorizing the printing of a revised edition of the Biographical Directory of the American Congress up to and including the 86th Congress (Rept. No. 1927);

S. Res. 315. Resolution authorizing additional expenditures by the Committee on Appropriations;

S. Res. 325. Resolution authorizing the printing of the Legislative History of the Committee on Foreign Relations, United

States Senate, 85th Congress as a Senate document;

S. Res. 326. Resolution authorizing an increase in expenditures for the Committee on Foreign Relations; and

S. Res. 337. Resolution to print additional copies of Senate Report No. 1477, 85th Congress, entitled "Report of the Subcommittee To Investigate the Administration of the Internal Security Laws."

By Mr. HAYDEN, from the Committee on Rules and Administration, with an amendment:

S. Res. 328. Resolution to print, with additional copies, the joint report entitled "Water Developments and Potentialities."

By Mr. HAYDEN, from the Committee on Rules and Administration, with amendments:

S. Res. 327. Resolution to create a Standing Committee on Aeronautical and Space Sciences (Rept. No. 1925).

By Mr. CHAVEZ, from the Committee on Public Works, with amendments:

S. 3953. A bill to revise, codify, and enact into law, title 23 of the United States Code, entitled "Highways" (Rept. No. 1928).

INVESTIGATION OF RELATIONSHIPS OF RIVER AND RELATED WATER RESOURCE DEVELOPMENT PROGRAMS—REPORT OF A COMMITTEE—INDIVIDUAL VIEWS

Mr. O'MAHONEY. Mr. President, from the Committee on Interior and Insular Affairs, and the Committee on Public Works, jointly, I report favorably, with amendments, the resolution (S. Res. 248) to investigate relationships of river and related water resource development programs, and I submit a report (No. 1926) thereon. I ask unanimous consent that the report be printed, together with the individual views of the senior Senator from Utah [Mr. WATKINS], with illustrations.

The VICE PRESIDENT. The report will be received and the resolution will be placed on the calendar; and, without objection, the report will be printed, as requested by the Senator from Wyoming.

ANNA L. PROVENCAL

Mr. GREEN, from the Committee on Rules and Administration, reported an original resolution (S. Res. 341) to pay a gratuity to Anna L. Provencal, which was placed on the calendar, as follows:

Resolved, That the Secretary of the Senate hereby is authorized and directed to pay, from the contingent fund of the Senate, to Anna L. Provencal, widow of Honore J. Provencal, an employee of the Senate at the time of his death, a sum equal to 1 year's compensation at the rate he was receiving by law at the time of his death, said sum to be considered inclusive of funeral expenses and all other allowances.

ADDITIONAL STAFF MEMBER FOR COMMITTEE ON RULES AND ADMINISTRATION—REPORT OF A COMMITTEE

Mr. HAYDEN, from the Committee on Rules and Administration, reported an original resolution (S. Res. 342) authorizing the employment by the Committee on Rules and Administration of an additional professional staff member, and

submitted a report (No. 1930) thereon, which resolution was placed on the calendar, as follows:

Resolved, That the Committee on Rules and Administration is authorized to employ one additional professional staff member to be paid from the contingent fund of the Senate at a rate of compensation to be fixed by the chairman in accordance with section 202 (e), as amended, of the Legislative Reorganization Act of 1946.

SEC. 2. Such additional professional staff member shall be a person experienced in Congressional editorial and printing work whose major responsibility shall be the preparation of materials for the Senate Manual, but who shall be available for the performance of other committee duties.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. SMATHERS:

S. 4175. A bill to amend the Tariff Act of 1930 to place certain pumice stone on the free list; to the Committee on Finance.

By Mr. BEALL:

S. 4176. A bill to amend the act of October 24, 1951, to provide that the police for the National Zoological Park shall receive salaries at the same rates as officers and members of the Metropolitan Police force of the District of Columbia; to the Committee on Rules and Administration.

By Mr. POTTER:

S. 4177. A bill to provide for the acquisition of a site or sites for a Federal building or buildings in Detroit, Mich.; to the Committee on Public Works.

By Mr. ANDERSON:

S. 4178. A bill to provide for the issuance of a special series of postage stamps in commemoration of the sesquicentennial of the birth of Christopher (Kit) Carson; to the Committee on Post Office and Civil Service.

By Mr. KNOWLAND (for himself and Mr. KUCHEL):

S. 4179. A bill to authorize the Tahchevah Creek project, Palm Springs, Calif.; to the Committee on Public Works.

By Mr. MAGNUSON:

S. 4180. A bill to regulate the interstate transportation of steelhead trout; to the Committee on Interstate and Foreign Commerce.

RESOLUTIONS

The following resolutions were submitted, or reported, and agreed to, or placed on the calendar, as indicated:

Mr. JOHNSON of Texas (for himself, Mr. KNOWLAND, Mr. HAYDEN, Mr. BRIDGES, Mr. LONG, Mr. FULBRIGHT, and Mr. IVES) submitted the following resolution, which was considered and agreed to:

S. Res. 340. Resolution extending sympathy to Senator JOHN L. McCLELLAN on the death of his son.

(See the above resolution printed in full when submitted by Mr. JOHNSON of Texas, which appears under a separate heading.)

Mr. GREEN, from the Committee on Rules and Administration, reported an original resolution (S. Res. 341) to pay a gratuity to Anna L. Provencal, which was placed on the calendar.

(See the above resolution printed in full which appears under the heading "Reports of Committees.")

Mr. HAYDEN, from the Committee on Rules and Administration, reported an

original resolution (S. Res. 342) authorizing the employment by the Committee on Rules and Administration of an additional professional staff member, which was placed on the calendar.

(See the above resolution printed in full, which appears under the head "Reports of Committees.")

EXTENSION OF NATIONAL WOOL ACT OF 1954—AMENDMENT

Mr. BENNETT submitted an amendment, intended to be proposed by him, to the bill (S. 2861) to extend for an additional 4-year period the provisions of the National Wool Act of 1954, which was ordered to lie on the table, and to be printed.

AGRICULTURAL ACT OF 1958—AMENDMENTS

Mr. HUMPHREY submitted amendments, intended to be proposed by him, to the bill (S. 4071) to provide more effective price, production adjustment, and marketing programs for various agricultural commodities, which were ordered to lie on the table, and to be printed.

Mr. DIRKSEN submitted amendments, intended to be proposed by him, to Senate bill 4071, supra, which were ordered to lie on the table, and to be printed.

MISBRANDING AND FALSE ADVERTISING OF FIBER CONTENT OF TEXTILE FIBER PRODUCTS—AMENDMENTS

Mr. BUTLER submitted amendments, intended to be proposed by him, to the bill (H. R. 469) to protect producers and consumers against misbranding and false advertising of the fiber content of textile fiber products, and for other purposes, which were ordered to lie on the table, and to be printed.

NOTICE OF HEARINGS ON CERTAIN NOMINATIONS BY COMMITTEE ON FOREIGN RELATIONS

Mr. GREEN. Mr. President, as chairman of the Committee on Foreign Relations, I desire to announce that the Senate today received from the President of the United States the nominations of the following-named persons to represent the United States of America at the 13th session of the General Assembly of the United Nations for service until December 31, 1958, inclusive: Henry Cabot Lodge, of Massachusetts; Michael J. Mansfield, United States Senator from the State of Montana; Bourke B. Hick-enlooper, United States Senator from the State of Iowa; Herman Phleger, of California; George McGregor Harrison, of Ohio; James J. Wadsworth, of New York; Miss Marian Anderson, of Connecticut; Watson W. Wise, of Texas; Mrs. Oswald B. Lord, of New York; and Irving Salomon, of California.

Notice is hereby given that the Committee on Foreign Relations, at the expiration of 6 days, in accordance with the committee rule, will give consideration to the nominations.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the House had passed a bill (H. R. 13450) making supplemental appropriations for the fiscal year ending June 30, 1959, and for other purposes, in which it requested the concurrence of the Senate.

HOUSE BILLS REFERRED OR PLACED ON THE CALENDAR

The following bills were each read twice by their titles and referred, or placed on the calendar, as indicated:

H. R. 13209. An act to provide for adjustments in the lands or interests therein acquired for the Albeni Falls Reservoir project, Idaho, by the reconveyance of certain lands or interests therein to the former owners thereof; placed on the calendar.

H. R. 13450. An act making supplemental appropriations for the fiscal year ending June 30, 1959, and for other purposes; to the Committee on Appropriations.

INADEQUACY OF SOCIAL SECURITY BENEFITS

Mr. PROXMIER. Mr. President, on numerous occasions I have stated to the Senate that today's social-security benefits are completely inadequate to provide a decent standard of living for our senior citizens who depend on them for their support. This fact is obvious to all of us who every day are in direct contact with the people of the Nation. It is a fact that is obvious to anyone who takes the trouble to compare a typical social-security check with a typical grocery bill.

But today, Mr. President, I wish to point out that a great many persons depend on meager social-security checks, not only to support themselves, but also for the support of persons who are dependent on them. Many older folks must stretch their benefits, in order to provide for grandchildren or other close relatives who are disabled or otherwise are unable to work.

One of the most heart-rending letters I have received since I came to the Senate has come from a gentleman in northern Wisconsin. He tells me that he is totally disabled, is a 65-year-old widower, and has supported his 12-year-old granddaughter since her birth.

I read from his letter:

I have not eaten any meat since last November. As I set my budget, I allow \$1.25 per day for food for the child, and 30 cents a day for myself.

He writes that he has had to give up his own medicine, and to cut down still more on food, because he was denied welfare funds for support of the child.

I read further from his letter:

I think I am entitled to some help so I will be able to pay my bills. After that, I would not ask for any help for the child. * * * Millions for foreign countries * * * go hungry here at home.

Mr. President, I believe anyone would be moved by a case such as this. This man dearly loves his granddaughter, who represents the one hopeful aspect of his life.

I need the child—

He writes—

because with her we are able to keep our home.

He proudly tells me "she is awful good to me, and is a 'B' student in school."

This grandfather has cut his own food budget to 30 cents a day, so that his granddaughter may have \$1.25 worth of food each day.

Can any of us imagine having only 30 cents a day for food?

Mr. President, once again I urge most strongly that the Senate and the House of Representatives act now to provide more adequate benefits to our millions of citizens who depend on social security. These people, who have seen the benefits which they earned with their own contributions whittled down to desperate inadequacy, by inflation, deserve and need to have their benefits brought back up to a realistic, livable level—not in a year or two or more, but now.

Mr. President, I yield the floor.

Mr. KNOWLAND. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The VICE PRESIDENT. Without objection, it is so ordered.

THE UNITED NATIONS

Mr. KNOWLAND. Mr. President, yesterday I put into the RECORD a very forthright and strong letter sent by the President of the United States to the chairman of the Council of Ministers of the Union of Soviet Socialist Republics.

As I understand the situation, under the United Nations Charter, any head of government or any head of state may, at his discretion, attend the meetings of the Security Council or of the General Assembly of the United Nations. It seems to me that if the chairman of the Council of Ministers of the Union of Soviet Socialist Republics elects to attend such meetings, the Free World will have an opportunity to raise some issues which need to be raised: First, why did the Soviet Union ignore the resolutions passed at the time freedom was being strangled to death in Hungary?

Mr. President, I ask unanimous consent to have printed in the RECORD as a part of my remarks a statement showing the chronology of the United Nations action in the Hungarian situation, with the texts of and the votes by which the resolutions were passed in the United Nations on the Hungarian situation.

The VICE PRESIDENT. Without objection, it is so ordered.

(See exhibit A.)

Mr. KNOWLAND. Mr. President, it seems to me the Free World has an opportunity, if they do not miss it, to raise the question of having the United Nations supervise elections in Hungary and the withdrawal of Soviet forces from that country, in order to give the people of Hungary an opportunity to establish a government of their choice, rather

than one which has been imposed upon them under the ruthless armed forces of the Soviet Union.

Mr. President, I think it is time also that the world understand that the United Nations is not in favor of a double standard.

If it be true, as has been stated, that heads of governments or states can attend the United Nations, this should apply to all members of the Security Council. This includes the President of the Free Republic of China, which is a charter member of the United Nations and 1 of the 5 permanent members of the Security Council.

Certainly, no person sitting in the Kremlin or elsewhere should be able to pick and choose as between members of the Security Council, nor should the United Nations be in the position of seeing any one member in a position to exercise the veto, such as was exercised for the 85th time on yesterday, against the sending to the meetings of the United Nations, of the head of government of a nation which is a member.

Mr. President, if the Chairman of the Council of Ministers of the Union of Soviet Socialist Republics does not care to sit down with the President of the Free Republic of China, so be it; but it seems to me the same rules should apply to all members of the United Nations Security Council.

EXHIBIT A

CHRONOLOGY OF UNITED NATIONS ACTION ON THE HUNGARIAN SITUATION, 1956

S/3690, October 27: France, United Kingdom, United States of America, request for Security Council meeting and inclusion of Hungarian item on agenda.

United States/PR/2479, October 27: Statement by Lodge re French-United Kingdom-United States request for Security Council meeting.

S/PV.746, October 28: Security Council meeting called at request of France, United Kingdom, and United States of America (S/3690); U. S. S. R. voted against, Yugoslavia abstained on adoption of agenda; U. S. S. R. proposed postponement of discussion, which was rejected, 1 (U. S. S. R.) (9-1) (Yugoslavia). Remarks by Lodge (United States/PR/2480, United States/PR/2481).

United States/PR/2480, October 28: Lodge statement in 746th Security Council meeting re United States position.

United States/PR/2481, October 28: Lodge statement in 746th Security Council meeting refuting Soviet charges against United States.

S/3691, October 28: Letter from Hungarian Representative to SYG transmitting declaration of Hungary protesting Security Council consideration of domestic affair.

S/3692, October 28: Letter of October 27 from Representative of Italy to President of Security Council requesting inclusion of Hungarian item and associating Italy with French-United Kingdom-United States request.

S/3693, October 28: Pledge of support by Representative of Argentina.

S/3694, October 28: Letter from Representative of Hungarian People's Republic to President of Security Council requesting opportunity to take part in Security Council meetings.

S/3695, October 28: Protest by Spain against action of Soviet troops in Poland and Hungary.

S/3696, October 28: Letter from Representative of Turkey to SYG endorsing action of France, United Kingdom, and United States.

S/3697, October 28: Letter from Representative of Austria to SYG quoting appeal sent U. S. S. R. to discontinue military actions.

S/3698, October 28; S/3699, October 28; S/3701, October 29; S/3702, October 29; S/3703, October 29; S/3704, October 29; S/3705, October 29; S/3708, October 30; S/3709, October 30; S/3714, October 31; S/3715, October 31; S/3716, October 31; S/3717, October 31; S/3722, November 1: Letters from Governments expressing support of action to bring Hungarian item before Security Council.

A/3251, November 1: Cablegram from Imre Nagy requesting discussion of Hungary's neutrality by General Assembly and asking help of four Great Powers.

S/3724, November 2; S/3725, November 2; S/3727, November 2; S/3732, November 3: Letters from governments expressing support of action to bring Hungarian item before Security Council.

S/3723, November 2: Letter from France, United Kingdom, and United States to President of Security Council requesting meeting on November 2 to discuss Hungarian situation.

S/3726, November 2: Note from Hungarian People's Republic to SYG transmitting letter of November 2 from Imre Nagy supplying additional information concerning Soviet military units in Hungary and requesting Security Council to instruct U. S. S. R. and Hungarian Governments to start negotiations re neutralization of Hungary, to be guaranteed by all Great Powers.

United States/PR/2491, November 2: Statement by Dulles at plenary meeting of First Emergency Special Session on Palestine with regard to Hungarian matter.

S/PV.752, November 2 (PR/SC/1818): Discussion of credentials of Dr. Janos Szabo; agreed to suggestion of President that representative of Hungary should retain his seat at Council table, but he should not make a statement, in order to give Secretariat time to verify his credentials. Lodge statement (United States/PR/2492) on necessity for Security Council aid to Hungary and stressing importance of having representative who truly reflected interests of Hungary. Discussion of cablegram from Imre Nagy (A/3251) requesting Security Council consideration of question of defense of Hungary's neutrality and requesting help of four Great Powers. Lodge told of allocation of \$20 million by United States for food and other necessities for Hungary (United States/PR/2493).

United States/PR/2492, November 2: Lodge statement in 752th Security Council meeting on Hungarian situation and importance of having truly representative delegate of Hungary in Security Council.

United States/PR/2493, November 2: Lodge statement in 752th Security Council meeting re allocation by United States of \$20 million for relief necessities for Hungarian people.

S/3729, November 3: Report by SYG to President of Security Council on cablegram of November 3 from President of Council of Ministers of Hungarian People's Republic accrediting Dr. Janos Szabo to represent Hungary before Security Council during discussion of Hungarian item.

S/3730, November 3: United States draft resolution on letter dated October 27 from France, United Kingdom, and United States to President of Security Council concerning situation in Hungary (S/3690); urges U. S. S. R. to stop intervening in internal affairs of Hungary and to withdraw armed forces without delay; requests SYG to investigate need of Hungarians for food and medicine.

S/PV.753, November 3: Security Council meeting: Lodge recounts events in Hungary (United States/PR/2494); explains United States draft resolution (S/3730); Hungarian representative spoke.

United States/PR/2494, November 3: Lodge statement in 753d Security Council meeting giving background of Hungarian incident, directs questions to Hungarian and Soviet representatives and gives United States position.

S/3731, November 3: Cablegram from Chairman of Council of Ministers of Hungarian People's Republic to SYG confirming that all telegrams, letters and messages sent SYG expressed official standpoint of Hungarian Government.

S/3730/Rev. 1, November 4: Revised United States draft resolution on letter from France, United Kingdom, and United States re Hungarian situation.

S/PV.754, November 4: Security Council meeting: Statement by Lodge (United States/PR/2500); presented revised United States draft resolution (S/3730/Rev. 1); revision covered paragraph calling upon U. S. S. R. to cease introduction of additional armed forces into Hungary and to withdraw all of its forces without delay. Vote was 9-1 (U. S. S. R.); Yugoslavia did not participate.¹ In view of U. S. S. R. veto, Lodge introduced motion to call an emergency session of General Assembly to make appropriate recommendations. Vote was 10-1 (U. S. S. R.).

S/3733, November 4: Resolution adopted at 754th Security Council meeting calling emergency special session of General Assembly to make recommendations concerning situation in Hungary (on United States motion). Vote: 10-1 (U. S. S. R.).

United States/PR/2500, November 4: Statement by Lodge in 754th Security Council meeting regarding latest developments in Hungary, particularly Budapest; replied to Soviet attacks on United States re Hungary; opposed amendments to revised United States draft resolution, fearing changes would cause dangerous delay.

A/3280, November 4: Letter from President of Security Council to SYG transmitting text of resolution adopted by Security Council (S/3733) calling for emergency special session of General Assembly.

PR/SG/514, November 4: Statement by SYG in Security Council regarding his role in Middle East matter and said it applied also to the Hungarian case.

A/3285, November 4: Note from permanent mission of Hungarian People's Republic, to SYG, stating that Hungarian Government had not yet authorized any of the members of the mission to take part in the emergency special session, but any information and instructions from its government would be brought to SYG's attention as soon as received.

United States/PR/2499, November 4: Statement by Lodge in 563rd plenary session; recognized on point of order to tell of report that United States Legation in Budapest was under heavy bombardment; stated he has asked for meeting of Security Council.

A/PV.564, November 4 (PR/GA/1367): First meeting of Second Emergency Special Session. U. S. S. R., objected to inclusion of Hungarian item in agenda. Statement by Lodge (United States/PR/2501); described latest developments in Hungary; said drastic and decisive action must be taken in General Assembly to answer appeal of Hungarian Government for help; introduced draft resolution (A/3286) which called upon U. S. S. R. to desist all armed attack and to withdraw all of its forces from Hungarian territory, requested SYG to investigate situation through representatives named by him and report back to General Assembly at earliest moment; also requested SYG to inquire into needs for food, medicine and other supplies. Read telegram from President Eisenhower stating that he had met

with Secretary of State to discuss ways in which United States could assist Hungary and had sent urgent message to Bulganin. France offered amendment to operative paragraph 4 of United States resolution, pointing out that General Assembly action is result of foreign armed forces in Hungary. Lodge accepted amendment (United States/PR/2502). Draft resolution adopted, 50-8 (Albania, Bulgaria, Byelorussia, Czechoslovakia, Poland, Romania, Ukraine, U. S. S. R.) (15) (Afghanistan, Burma, Ceylon, Egypt, Finland, India, Indonesia, Iraq, Jordan, Libya, Nepal, Saudi Arabia, Syria, Yemen, Yugoslavia). (A/Res./393.)

A/3286, November 4: United States draft resolution on situation in Hungary (see A/PV.564).

United States/PR/2501, November 4: Lodge statement in 564th plenary describing recent events in Hungary; introduced United States draft resolution (A/3286).

United States/PR/2502, November 4: Lodge statement in 564th plenary accepting French amendment to United States draft resolution; urged immediate vote.

A/Res./393, November 4: Resolution adopted by General Assembly at 564th meeting (A/3286). Vote: 50-8-15.

United States/PR/2504, November 5: Statement made by White House Press Secretary Hagerty re letter from Bulganin to President Eisenhower suggesting that United States join with U. S. S. R. in bipartite employment of their military forces to stop fighting in Egypt. Said United States equally concerned with situation in Hungary. Letter from President to Bulganin included urging U. S. S. R. to withdraw forces from Hungary immediately.

S/3734, November 5; S/3735, November 5; S/3737, November 5: Replies from Governments endorsing examination of Hungarian matter by Security Council.

A/3311, November 7 (S/3739): Cablegram dated November 4 from Mr. Janos Kadar, Prime Minister of the Revolutionary Workers and Peasant Government of Hungary and Mr. Imre Horvath, Minister of Foreign Affairs, to SYG declaring that Imre Nagy's requests to U. N. to have the Hungarian question discussed have no legal force and cannot be considered as requests emanating from Hungary as a state. Objected to discussion on grounds that matter is within exclusive jurisdiction of Hungarian People's Republic.

PR/SG/522, November 7: Statement by SYG before General Assembly stating that General Assembly Resolution 393 had been called to the attention of two governments "most directly concerned" and he would report shortly on steps taken to implement the resolution.

A/3315, November 8: Aide-memoire from SYG to Minister of Foreign Affairs of Hungary re permission for observers to enter Hungary. (First Progress Report.)

A/3316, November 8: Draft resolution: Cuba, Ireland, Italy, Pakistan, Peru—calling again upon U. S. S. R. to withdraw forces from Hungary and reaffirming request that SYG send representatives to investigate. (Adopted 571st mtg, November/9, A/Res./397.)

A/3318, November 8: Letter from Chairman of Chinese Delegation to Second Emergency Special Session to President of General Assembly transmitting resolution adopted on November 6 by Legislative Yuan of Republic of China.

A/3319, November 8 (PR/PM/3224): United States draft resolution: calls upon U. S. S. R. to cease actions against Hungarian population which violate international law; requests SYG to call upon U. N. High Commissioner for Refugees to take steps to render assistance. (Adopted 571st mtg, November 9, A/Res./398.)

A/3321, November 8: Report of Credentials Committee on credentials of representatives

to First and Second Emergency Special Sessions of General Assembly.

A/PV.568, November 8 (PR/GA/1372): General Assembly plenary meeting: indignation expressed by various Representatives re U. S. S. R. intervention in Hungary. Bulgaria, Albania, and Romania declared the General Assembly was not competent to consider the situation which was within domestic jurisdiction of Hungary. Poland thought U. N. should not interfere with settlement of situation by way of negotiations. Szabo (Hungary) protested consideration of Hungarian events by General Assembly.

A/PV.559, November 8 (PR/GA/1373): General Assembly plenary meeting: Italy introduced draft resolution sponsored by Italy, Cuba, Ireland, Pakistan, and Peru (A/3316) calling again upon U. S. S. R. to withdraw from Hungary, need for free elections, reaffirms request to SYG to continue to investigate through representatives named by him, and requests SYG to report to General Assembly in shortest possible time. Statements by various countries. Objections to consideration expressed by Czechoslovakia, Ukraine, and Byelorussia. India explained abstention on A/3286 (A/Res./393) as occasioned by disagreement with some parts of the resolution. SYG drew attention to A/3315, an aide-memoire from him to Hungarian Foreign Minister; hoped members would consider this as his first progress report.

A/PV.570, November 9 (PR/GA/1375): General Assembly plenary meeting: Debated two draft resolutions (A/3316, A/3319). Lodge spoke of "outrage" of Soviet actions in Hungary (United States/PR/2508); introduced United States draft resolution (A/3319), urging adoption; said United States would take steps to admit 5,000 Hungarian refugees to United States; expressed support for five-power resolution (A/3316). U. S. S. R. opposed both resolutions, saying Soviet troops were in Hungary under Warsaw Treaty and when law and order were restored, the U. S. S. R. and other members of the Warsaw Pact would negotiate re withdrawal of forces. Said United States resolution contained "slandorous allegations" against U. S. S. R.

United States/PR/2508, November 9: Lodge statement in 570th plenary on Hungarian situation.

A/3324, November 9: Austrian draft resolution: furnishing medical supplies, food, and clothes to affected territories. (Adopted 571st mtg, November 9, A/Res./399.)

A/PV.571, November 9 (PR/GA/1376): General Assembly plenary meeting: Austria introduced draft resolution (A/3324) providing for immediate relief measures for Hungarian people. Views expressed by representatives on this, United States draft resolution and 5-power resolution. Statement by Lodge (United States/PR/2510). Indonesia introduced amendments, sponsored by Ceylon, India, and Indonesia (A/3325) to United States draft resolution. Representatives of Rumania and India replied to statements made by other representatives. Wadsworth (United States) made brief announcement that United States was making \$1 million available to SYG for immediate assistance to Hungarian refugees (United States/PR/2511). Vote on three draft resolutions by roll call, as follows:

FIVE-POWER DRAFT RESOLUTION (A/3316)

First paragraph of preamble: 50-9 (Albania, Bulgaria, Byelorussia, Czechoslovakia, Hungary, Poland, Rumania, Ukraine, U. S. S. R.) (16) (Afghanistan, Austria, Burma, Cambodia, Ceylon, Egypt, Finland, India, Indonesia, Iraq, Jordan, Lebanon, Libya, Saudi Arabia, Syria, Yemen, and Yugoslavia). Ethiopia was absent.

Second paragraph of preamble: 61-9 (same as first paragraph) (15) (Afghanistan, Burma, Cambodia, Ceylon, Egypt, India, Indonesia, Jordan, Lebanon, Libya, Nepal, Saudi

¹ Yugoslavia vote later recorded as abstention. (See S/PV. 755, November 5.)

Arabia, Syria, Yemen, and Yugoslavia). Ethiopia was absent.

Third paragraph of preamble: 49-9 (same as first paragraph) (17) (Afghanistan, Austria, Burma, Cambodia, Ceylon, Egypt, Finland, India, Indonesia, Jordan, Lebanon, Libya, Nepal, Saudi Arabia, Syria, Yemen, and Yugoslavia). Ethiopia was absent.

Fourth paragraph of preamble (sponsors agreed to eliminate reference to Convention on Genocide): 48-9 (same as first paragraph) (18) (Afghanistan, Austria, Burma, Cambodia, Ceylon, Egypt, Finland, India, Indonesia, Jordan, Laos, Lebanon, Libya, Nepal, Saudi Arabia, Syria, Yemen, and Yugoslavia). Ethiopia was absent.

Fifth paragraph of preamble: 51-9 (same as first paragraph) (15) (Afghanistan, Burma, Cambodia, Ceylon, Egypt, India, Indonesia, Jordan, Lebanon, Libya, Nepal, Saudi Arabia, Syria, Yemen, and Yugoslavia). Ethiopia was absent.

Operative paragraph 1: 51-9 (same as first paragraph, preamble) (15) (Afghanistan, Austria, Ceylon, Egypt, Finland, India, Indonesia, Jordan, Lebanon, Libya, Nepal, Saudi Arabia, Syria, Yemen, Yugoslavia). Ethiopia was absent.

Operative paragraph 2: Phrase "under United Nations auspices": 39-12 (Albania, Bulgaria, Byelorussia, Ceylon, Czechoslovakia, Hungary, India, Philippines, Rumania, Ukraine, U. S. S. R., and Yugoslavia). 39-24 (Afghanistan, Austria, Burma, Cambodia, Egypt, Haiti, Indonesia, Iraq, Israel, Jordan, Lebanon, Liberia, Libya, Mexico, Nepal, Nicaragua, Poland, Portugal, Saudi Arabia, Spain, Syria, Union of South Africa, Venezuela, and Yemen). Ethiopia was absent.

Remainder of paragraph 2: 49-9 (Same as first paragraph, preamble) (17) (Afghanistan, Austria, Burma, Cambodia, Ceylon, Egypt, India, Indonesia, Iraq, Jordan, Lebanon, Libya, Nepal, Saudi Arabia, Syria, Yemen, and Yugoslavia). Ethiopia was absent.

Operative paragraph 3: 53-9 (Same as first paragraph, preamble) (13) (Afghanistan, Austria, Egypt, Finland, India, Indonesia, Jordan, Lebanon, Libya, Saudi Arabia, Syria, Yemen, and Yugoslavia). Ethiopia was absent.

Operative paragraph 4: 53-9 (Same as first paragraph, preamble) (13) (Afghanistan, Ceylon, Egypt, Finland, India, Indonesia, Jordan, Lebanon, Libya, Saudi Arabia, Syria, Yemen, and Yugoslavia).

Resolution as Whole: 48-11 (Albania, Bulgaria, Byelorussia, Czechoslovakia, Hungary, India, Poland, Rumania, Ukraine, U. S. S. R., and Yugoslavia) (16) (Afghanistan, Austria, Burma, Cambodia, Ceylon, Egypt, Finland, Haiti, Indonesia, Jordan, Lebanon, Libya, Nepal, Saudi Arabia, Syria, and Yemen).

UNITED STATES RESOLUTION (A/3319)
Amendments (A/3325): Rejected 18 (Afghanistan, Austria, Burma, Ceylon, Finland, Hungary, India, Indonesia, Jordan, Lebanon, Libya, Nepal, Poland, Saudi Arabia, Syria, Yemen, and Yugoslavia) in favor, 45 against, 12 abstentions (Albania, Bulgaria, Byelorussia, Czechoslovakia, Egypt, Iran, Iraq, Laos, Rumania, Thailand, Ukraine, and U. S. S. R.).

Resolution: Adopted 53-9 (Albania, Bulgaria, Byelorussia, Czechoslovakia, Hungary, Poland, Romania, Ukraine, U. S. S. R.) (13) (Afghanistan, Burma, Cambodia, Ceylon, Egypt, India, Indonesia, Jordan, Lebanon, Saudi Arabia, Syria, Yemen, Yugoslavia). Ethiopia was absent.

Austrian Draft Resolution (A/3324): (Phrase in first paragraph "by the fighting which is still continuing" eliminated by Austria) 67-0-8 (Albania, Bulgaria, Byelorussia, Czechoslovakia, Liberia, Rumania, Ukraine, U. S. S. R.). Ethiopia was absent. Liberian representative did not understand vote was on resolution as whole and had ab-

stained although her delegation was in accord with the resolution.

A/Res./397, November 9: Resolution adopted at 571st plenary (A/3316).

A/Res./398, November 9: Resolution adopted at 571st plenary (A/3319).

A/Res./399, November 9: Resolution adopted at 571st plenary (A/3324).

United States/PR/2510, November 9: Statement by Lodge in 571st plenary regarding amendments proposed by Ceylon, India, and Indonesia to United States draft resolution.

United States/PR/2511, November 9: Statement by Wadsworth in 571st plenary regarding United States aid to Hungarian refugees.

A/3330, November 10: United States draft resolution re referral of item to 11th General Assembly.

A/PV.573, November 10 (PR/GA/1378): General Assembly plenary meeting: Lodge introduced United States draft resolution (A/3330) (United States/PR/2513) to transfer Hungarian item to 11th General Assembly. Szabo (Hungary) opposed. Italy suggested a paragraph 2 referring to the regular General Assembly session all records and documents; Lodge agreed. Adopted resolution 53-9-8 (A/Res./401).

United States/PR/2513, November 10: Statements by Lodge in 573d plenary on situation in Hungary; introduced United States draft resolution A/3330.

A/Res./401, November 10: Resolution adopted at 573d plenary (A/3330).

A/3334, November 10: Document transmitting resolution adopted by Second Emergency Special Session (A/Res./401) requesting inclusion of Hungarian item on 11th General Assembly agenda.

A/3335, November 11, Aide-memoire of November 10 from SYG to Government of Hungary and reply from Vice Minister for Foreign Affairs of Hungary of November 10 re admission of observers to Hungary.

A/3336, November 11: Aide-memoire of November 10 from SYG to U. S. S. R. requesting assistance in request to Hungary for admission of observers.

A/3337, November 11: Note verbale of November 10 from SYG to Minister for Foreign Affairs of Hungary requesting information on needs of Hungarian people.

A/3340, November 11: Telegram from Deputy Minister of Foreign Affairs of Hungary to SYG stating that text of November 4, General Assembly resolution (re observers) not available and, when obtained, the SYG's aide-memoire will be considered.

A/3341, November 12: Cablegram of November 12 from Acting Minister for Foreign Affairs of Hungary to SYG stating that situation lies within internal legal competence of Hungarian State.

PR/H/1358, November 12: Dr. Maria Pfister, refugee relief expert, sent from WHO Headquarters to Vienna to confer with Austrian authorities on health measures needed to handle Hungarian refugees.

A/BUR/SR.106, November 13 (PR/GA/1381): General Committee meeting: Rejected U. S. S. R. motion that Hungarian Representative be invited to state his government's views before the General Committee, 5 in favor (Czechoslovakia, Egypt, India, Pakistan, U. S. S. R.); 6 against (China, Dominican Republic, El Salvador, Peru, Turkey, United States); 3 abstentions (Denmark, France, United Kingdom); adopted Indian motion that Hungarian item be included in General Assembly agenda, 11 to 2 (Czechoslovakia, U. S. S. R.), 1 (Egypt). Statement by Lodge supporting Indian motion (United States/PR/2514). Committee decided also to recommend that matter be considered directly by General Assembly without reference to a committee.

United States/PR/2514, November 13: Lodge statement in First General Committee meeting supporting motion of India to put

question of Hungary on General Assembly agenda.

United States/PR/2515, November 13: Press release concerning presentation to SYG of check for \$1 million from United States for Hungarian refugees.

PR/SG/530, November 13: Press release re check for \$500,000 given Austrian Foreign Affairs Minister by U. N. for Hungarian refugees.

A/3343, November 13: First Report of General Committee: inter alia decided to recommend, by vote of 11-2-1, the inclusion of item in agenda of 11th General Assembly: decided also to recommend that matter be dealt with directly in plenary as matter of priority without reference to a committee.

A/3345, November 13: Cablegram from Acting Minister for Foreign Affairs of Hungary to SYG, replying to A/3337, lists items urgently needed.

A/3346, November 13: Cablegram from SYG to Acting Minister, Deputy Minister for Foreign Affairs of Hungary, acknowledging A/3341, inviting reconsideration of decision that sending of observers into Hungary not warranted.

A/PV. 576, November 13 (PR/GA/1382): General Assembly plenary meeting: Adopted by rollcall vote of 62-9 (Albania, Bulgaria, Byelorussia, Czechoslovakia, Hungary, Poland, Romania, Ukraine, U. S. S. R.), 8 (Afghanistan, Egypt, Jordan, Morocco, Saudi Arabia, Syria, Yemen, and Yugoslavia) General Committee's recommendation (A/3343) to include Hungarian item in regular session. Decided also, 51-0-19, to give priority without reference to a committee. Wadsworth (United States) made brief statement endorsing General Committee's recommendation. India, who favored inclusion of item, opposed direct consideration in plenary.

A/3347, November 14: Note verbale of November 13 from Perm Mission of U. S. S. R. to SYG, reference A/3336, stating position of U. S. S. R. unchanged and said sending observers into Hungary is matter within Hungary's jurisdiction.

PR/SG/531, November 14: Remarks by SYG on his departure from Idlewild for Middle East; stated he might go to Budapest.

PR/SG/532, November 15: U. N. asks governments to announce pledges for Hungarian relief.

A/3357, November 15: Cuban draft resolution: Calls upon U. S. S. R. and Hungarian authorities to cease forcibly deporting Hungarian prisoners to Siberia.

A/3358, November 15: Cablegram from Istvan Sebes, Hungary, to SYG, signifying willingness of representatives of Hungarian Government to meet SYG in Rome to negotiate about aid offered by the U. N. and exchange views about position taken by Hungary re U. N. resolutions.

A/3357/Rev. 1, November 16: Cuban revised draft resolution: Adds reference to violation of the Treaty of Peace with Hungary, particularly article 2.

A/3359, November 16 (PR/SG/533): Lists members of group appointed by SYG to investigate Hungarian situation and report to General Assembly: Judge Oscar Gundersen (Norway), Mr. Arthur Lall (India), and Albarto Lleras (Colombia).

A/3362, November 16 (PR/SG/534): Cablegram from SYG to Istvan Sebes, Hungarian Acting Minister, in reply to A/3358, concerning discussion in Budapest of Hungarian situation.

United States/PR/2520, November 16: Statement by United States delegation to 11th General Assembly on Soviet deportations of Hungarian citizens.

SD/PR/586, November 16: Address by Under-Secretary Hoover (State Department press release) during general debate in 581st plenary; noted that there had been no compliance with General Assembly resolutions; asked General Assembly to take immediate

action to meet situation of mass deportations.

A/PV.581, November 16 (PR/GA/1391): General Assembly plenary meeting: General debate opened; references to Hungarian situation made by Representatives of Brazil, Iraq, United States (Hoover), Ecuador, Portugal, and Dominican Republic.

A/3357/Rev. 2, November 18 (PR/PM/327): Cuban revised draft resolution: states that forcible deportation of Hungarians by U. S. S. R. adds urgency to necessity of prompt compliance with General Assembly's resolution calling for prompt withdrawal of Soviet forces and for the dispatch of observers by SYG.

A/L.211, November 19: El Salvador amendment to Cuban revised draft resolution (A/3357/Rev. 2) suggesting substitution for fourth paragraph of Preamble.

A/L.212, November 19: Philippines amendment to Cuban revised draft resolution (A/3357/Rev. 2) to insert words in fourth paragraph of Preamble.

A/PV.582, November 19 (PR/GA/1392): General Assembly plenary meetings. Statements by Cuban Representative, who discussed revised Cuban draft resolution (A/3357/Rev. 2), and Representatives of Hungary and U. S. S. R., who opposed consideration of Hungarian matter. Hungarian Representative denied that any deportations had taken place.

A/PV.583, November 19 (PR/GA/1393): General Assembly plenary meeting: Continued discussion of Hungarian item; statements by Representatives of Italy, United States (Lodge), United States/PR/2622), El Salvador, Denmark, Yugoslavia, Canada, Czechoslovakia, United Kingdom, Chile, Bulgaria, Spain, Ukraine, and France. Philippines did not press their amendment (A/L. 212) to vote.

United States/PR/2522, November 19: Statement by Lodge in 583d plenary on the deportation of Hungarian citizens.

A/3367, November 19: Note variable from permanent mission of Hungary to SYG transmitting communique issued by the Revolutionary Workers' and Peasants' Government of Hungary on November 18 concerning rumors of deportation of Hungarians to the Soviet Union.

A/3368, November 19 (PR/PM/3276): Ceylon-India-Indonesia draft res urging Hungary to permit observers to enter Hungary, without prejudice to her sovereignty.

A/3371, November 19: Interim report by SYG on Hungarian refugees; attached report of Deputy High Commissioner for Refugees.

A/3373, November 20 (PR/PM/3279): Cablegram from Istvan Sebes, Hungary, to SYG, reference A/3357/Rev. 2, states that resolution based on "tendentious rumors spread by persons hostile to the Hungarian People's Republic" concerning deportation of Hungarians to U. S. S. R.

A/PV.584, November 20 (PR/GA/1394): General Assembly plenary meeting: Statements made by representatives of Netherlands, Byelorussia, Haiti, New Zealand, Rumania, Ireland, Albania, Australia, Philippines, and Israel.

A/PV.585, November 20 (PR/GA/1395): General Assembly plenary meeting: Statements made by representatives of Uruguay, Poland, Iraq, Portugal, Colombia, Burma, Peru, Venezuela, Dominican Republic, Luxembourg, China, Argentina, Mexico, Sudan, Paraguay, Union of South Africa, Nepal, and Bolivia.

A/3374, November 20 (PR/PM/3280): Argentina-Belgium-Denmark-U.S.A. draft res: Urges governments and NGO's to make contributions for needs of Hungarian refugees and requests SYG and UNHCR to make appeals.

A/L.213, November 20 (PR/PM/3281): Belgium amendment to Ceylon-Indian-Indonesia draft res (A/3368) suggesting replace-

ments for first and second paragraphs of preamble and two operative paragraphs.

PR/H/1360, November 21: WHO sends team to Austria to aid Hungarian refugees.

AP/V. 586, November 21 (PR/GA/1396): General Assembly plenary meeting: Debate continued with statements by representatives of Belgium, Spain, Iceland, and Greece expressing support for Cuban draft resolutions (A/3357/Rev. 2); representatives of India, Indonesia, Ceylon, Yugoslavia, and Lebanon spoke in favor of Ceylon-India-Indonesia draft resolution (A/3368); India accepted several of Belgian amendments (A/L.213) and a revised draft of the joint resolution was circulated (A/3368/Rev. 1). Statement by SYG (PR/SG/536) in which he reviewed relations between Government of Hungary and himself since General Assembly resolution of November 4 (A/Res/393).

PR/SG/536, November 21: Statement by SYG in 586th plenary on contacts he had made with Hungarian Government.

A/3368/Rev. 2, November 21. Rev. 3, November 21: Revised draft resolution of Ceylon, India, Indonesia.

A/3371/Add. 1, November 21 (PR/PM/3287): Additional information concerning number of refugees in Austria.

A/L.214, November 21 (PR/PM/328): Hungarian amendments to Argentine, Belgium, Denmark, United States resolution (A/3374).

A/PV.587, November 21 (PR/GA/1397): General Assembly plenary meeting: Voting as follows:

Cuban draft resolution (A/3357/Rev. 2): Fourth paragraph, preamble: Words relating to the Genocide Convention and to the Treaty of Peace with Hungary: Adopted 38 to 10 (Albania, Bulgaria, Byelorussia, Czechoslovakia, Hungary, Poland, Rumania, Ukraine, U. S. S. R., Yugoslavia) (31) (Afghanistan, Austria, Bolivia, Cambodia, Ceylon, Chile, Dominican Republic, Egypt, Ethiopia, Finland, Greece, Guatemala, India, Indonesia, Iran, Jordan, Laos, Lebanon, Liberia, Libya, Morocco, Nepal, Norway, Saudi Arabia, Sudan, Sweden, Syria, Thailand, Tunisia, Union of South Africa, Yemen).

Fourth paragraph, preamble: Words "in particular article II (C) and (E)." Adopted, 30-9-30.

Fourth paragraph as whole, adopted, 46-10-15.

Cuban draft resolution as whole, as amended by El Salvador (A/L. 211): Adopted, 55-10 (Albania, Bulgaria, Byelorussia, Czechoslovakia, Hungary, Poland, Rumania, Ukraine, U. S. S. R., Yugoslavia) (14) (Afghanistan, Egypt, Finland, India, Indonesia, Jordan, Lebanon, Libya, Morocco, Saudi Arabia, Sudan, Syria, Tunisia, Yemen). (A/res./407.)

Ceylon, India, Indonesia joint draft resolution (A/3368/Rev. 3):

First operative paragraph: Words "without prejudice to its sovereignty," separate vote at request of Philippines, over objection of India: Adopted, 43-6 (Chile, Colombia, Ireland, Italy, Netherlands, Pakistan) (30) (Argentina, Byelorussia, Cambodia, China, Costa Rica, Cuba, Czechoslovakia, Denmark, Dominican Republic, Ethiopia, France, Greece, Haiti, Honduras, Hungary, Iceland, Israel, Luxembourg, New Zealand, Nicaragua, Panama, Paraguay, Peru, Philippines, Portugal, Rumania, Thailand, Turkey, Union of South Africa, and Venezuela).

Resolution as whole: Adopted, 57-8 (Albania, Bulgaria, Byelorussian S. S. R., Czechoslovakia, Hungary, Rumania, Ukraine, U. S. S. R.) (14) (Chile, China, Cuba, Dominican Republic, Egypt, Ethiopia, Jordan, Panama, Paraguay, Poland, Saudi Arabia, Syria, Yemen, and Yugoslavia). (A/Res./408.)

In consideration of SYG's report on refugees (A/3371, Corr. 1 and Add. 1), Knowland

² A/3368/Rev. 1 issued in Spanish only.

(United States) made statement (United States/PR/2525) and introduced joint Argentina-Belgium-Denmark-United States draft resolution (A/3374).

Hungarian amendments to A/3374 (A/L. 214): Cosponsors of A/3374 agreed to delete first paragraph of preamble, so there was no vote on the first part of the first Hungarian amendment. Remainder of first amendment—to delete the second and third paragraphs of preamble: Rejected, 9 (Albania, Bulgaria, Byelorussia, Czechoslovakia, Hungary, Poland, Rumania, Ukraine, U. S. S. R.) (61-9) (Egypt, Jordan, Libya, Morocco, Saudi Arabia, Sudan, Syria, Yemen, Yugoslavia).

Second Hungarian amendment to revise fourth paragraph of preamble: Rejected, 10 (Albania, Bulgaria, Byelorussia, Czechoslovakia, Hungary, Jordan, Poland, Rumania, Ukraine, U. S. S. R.) (58-11) (Egypt, India, Indonesia, Lebanon, Libya, Morocco, Saudi Arabia, Sudan, Syria, Yemen, Yugoslavia).

Third Hungarian amendment to add new operative paragraph before paragraph 1: Rejected, 12 (Albania, Bulgaria, Byelorussia, Czechoslovakia, Hungary, Jordan, Poland, Rumania, Syria, Ukraine, U. S. S. R., Yugoslavia) (56-11) (Afghanistan, Burma, Egypt, India, Indonesia, Lebanon, Libya, Morocco, Saudi Arabia, Sudan, Yemen).

Fourth Hungarian amendment to revise paragraph 4 of operative part of draft resolution: Rejected, 12 (Albania, Bulgaria, Byelorussia, Czechoslovakia, Hungary, Jordan, Poland, Rumania, Syria, Ukraine, U. S. S. R., Yugoslavia) (55-12) (Afghanistan, Burma, Cambodia, Egypt, India, Indonesia, Lebanon, Libya, Morocco, Saudi Arabia, Sudan, Yemen).

JOINT 4-POWER RESOLUTION (A/3374)

Adopted, 69-2 (Hungary, Rumania) (8) (Albania, Bulgaria, Byelorussia, Czechoslovakia, Poland, Sudan, Ukraine, U. S. S. R.) (A/Res./409.)

United States/PR/2524, November 21: Statement by Wadsworth (United States) in 587th plenary on Hungarian situation.

United States/PR/2525, November 21: Statement by Knowland (United States) in 587th plenary on Hungarian refugees, on introducing joint 4-power resolution (A/3374).

A/Res./407, November 21: Resolution adopted at 587th plenary (A/3357/Rev. 2).

A/Res./408, November 21: Resolution adopted at 587th plenary (A/3368/Rev. 3).

A/Res./409, November 21: Resolution adopted at 587th plenary (A/3374).

Further developments on the Hungarian situation in the United Nations will be listed addenda to this chronology.

(Prepared in IO Reference and Documents Section, Department of State, BMS—November/28/56.)

ADDENDUM NO. 1 TO THE CHRONOLOGY OF UNITED NATIONS ACTION ON THE HUNGARIAN SITUATION

PR/REF/99, November 22: London office of High Commissioner for Refugees announces contributions for relief of Hungarian refugees.

PR/ILO/1050, November 23: ILO governing body calls for freedom of association in Hungary.

A/3390, November 26: SYG transmits communication from Director-General of ILO re Hungary.

PR/SG/542, November 29: Text of telegram sent by SYG and U. N. Deputy High Commissioner for Refugees to all Governments members of U. N. and to Federal Republic of Germany, Japan, Republic of Korea, Monaco, San Marino, Switzerland, the Vatican and Vietnam, requesting additional assistance for Hungarian refugees.

PR/SG/543, November 29: Text of letter sent by Under-Secretary of U. N. in Charge of Relief to the Hungarian people, and U. N. Deputy High Commissioner for Refugees to

NGO's stressing urgency of need for resources to assist Hungarian refugees.

A/3403, November 30: Report of SYG on current aspects of Hungarian situation.

A/3405, November 30: Note by SYG containing replies received from Governments in response to SYG's appeal on November 15 for contributions in support of relief to Hungary.

A/3406, November 30: Letter from Acting Chairman of Chinese Delegation, November 19, to President of General Assembly forwarding translation of cable from the Central Yuan of the Republic of China appealing to the U. N. to adopt immediate measures to stop massacre in Hungary and to enforce withdrawal of Soviet troops from Hungarian territory.

A/3407, November 30: Letter of November 20 from Acting Chairman of the Chinese Delegation to the President of the General Assembly urging the U. S. S. R. to cease immediately all war acts against Hungary, establishment of U. N. Command and despatch of U. N. Emergency Force.

A/3355, December 1956: Resolutions adopted by General Assembly during second Special Session.

U. N. Review, December 1956: Contains article on developments in Hungary and U. N. action.

A/3413, December 2: Joint 14-power res (Argentina, Australia, Belgium, Cuba, Denmark, El Salvador, Ireland, Italy, Netherlands, Norway, Pakistan, Sweden, Thailand, and United States) calling again upon U. S. S. R. to desist from intervention in internal affairs of Hungary and to allow observers to travel therein.

A/3414, December 3: Telegram from Acting Minister for Foreign Affairs of Hungary to SYG stating that Hungarian Government maintains its earlier position that events constitute exclusively the internal affairs of Hungary.

A/PV.604, December 3 (PR/GA/1416): General Assembly plenary meeting; Netherlands introduced 14-power resolution (A/3413) requesting U. S. S. R. and Hungarian authorities to communicate with the SYG not later than December 7 re permission to admit U. N. observers into Hungary. Statement by Lodge (United States/PR/2538) re deportations. Other statements by Denmark, Argentina, Canada, Belgium, Czechoslovakia, and Peru.

United States/PR/2538, December 3: Statement by Lodge in 604th plenary on the Hungarian situation; special reference to reported deportations of Hungarian men, women and children, and projected visit of SYG to Budapest.

A/PV.605, December 3 (PR/GA/1417): General Assembly plenary meeting; continued debate on A/3413 and SYG Report (A/3403); statements by Bulgaria, Cuba, U. S. S. R., Italy, Ceylon, Rumania, Australia, New Zealand, Albania.

A/PV.606, December 4 (PR/GA/1418): General Assembly plenary meeting; continued discussion; statements by Philippines, Pakistan, Greece, Iraq, El Salvador, Ukraine, Norway, Yugoslavia, Ireland, Thailand, Byelorussia.

A/PV.607, December 4 (PR/GA/1419): General Assembly plenary meeting; continued discussion of A/3403 and A/3413; statements by Colombia, Brazil, France, United Kingdom, and Hungary. Hungarian representative said he had been instructed to meet with SYG to discuss the date of latter's trip to Budapest. Meeting recessed 1 hour, at Mr. Lodge's motion, to permit Hungarian representative and SYG to confer (United States/PR/2543).

United States/PR/2543, December 4: Lodge statement in 607th plenary on statement made by Hungarian representative concerning meeting with SYG to discuss Hungarian situation.

PR/SG/547, December 4: Statement to General Assembly by SYG on date and arrangements for his visit to Budapest.

A/PV.608, December 4 (PR/GA/1420): General Assembly plenary meeting; further consideration of A/3403 and A/3413; SYG made statement re date and arrangements for his visit to Budapest (PR/SG/547); statements by Portugal, Spain, China, U. S. S. R., Uruguay, Nepal, and India. Statement by Lodge (United States/PR/2544) urging prompt voting on 14-power resolution (A/3413). Austrian representative replied to statements made concerning activities in Austria.

Vote taken, paragraph by paragraph, on A/3413:

First paragraph of preamble: Adopted 58-11-9.

Second paragraph of preamble: Adopted 57-8-9.

Third paragraph of preamble: Adopted 55-9-11.

Operative paragraph 1: Adopted 55-9-10.

Words in operative paragraph 2: "not later than 7 December 1956": Adopted 44-10-12.

On a recount, adopted 44-13-13.

Paragraph 2 without date: Adopted 54-9-8.

Paragraph 2 as whole: Adopted 50-9-11.

Words "and other countries as appropriate" in operative paragraph 3: Adopted 44-14-13.

Remainder of paragraph 3: Adopted 54-9-8.

Paragraph 3 as whole: 51-11-8.

Paragraph 4: Adopted 58-9-9.

Resolution as a whole, by rollcall, adopted 54-10 (Albania, Bulgaria, Byelorussia, Czechoslovakia, Hungary, Poland, Rumania, Ukraine, U. S. S. R., Yugoslavia) (14) (Afghanistan, Burma, Ceylon, Egypt, Finland, India, Indonesia, Jordan, Morocco, Saudi Arabia, Sudan, Syria, Tunisia, Yemen (A/Res./413). India moved acceptance of statement by SYG (PR/SG/547); motion adopted 54-0-23.

A/Res./413, December 4: Resolution adopted at 608th plenary (A/3413).

United States/PR/2544, December 4: Lodge statement in 608th plenary re situation in Hungary; urged vote on 14-power joint draft resolution.

A/PV.609, December 5 (PR/GA/1418): General Assembly plenary meeting; further discussion of Hungarian situation; statements by Philippines, Pakistan, Greece, Iraq, El Salvador, Ukraine, Norway, Yugoslavia, Ireland, Thailand and Byelorussia, 8 of whom supported the 14-power resolution passed at 608th plenary; opposition by Ukraine, Byelorussia and Yugoslavia.

PR/SG/548, December 5: Agreement between U. N. and International Committee of the Red Cross on relief in Hungary.

United States/PR/2546, December 6: Statement by Lodge calling attention to report that the Hungarian Government had declined to receive the SYG. Questioned the good faith of the Hungarian spokesman in the General Assembly and felt consideration should be given to what action should be taken in the circumstances.

A/3435, December 7: Note by SYG reporting on action taken by him under terms of A/Res./413; stated that letters had been sent to Austria, Czechoslovakia, Rumania and Yugoslavia asking if observers might be permitted to enter those countries if necessary under the terms of reference of the resolution; replies had not been received.

Add. 1, December 8: Reply from Austria; would admit observers.

Add. 2, December 8: Reply from Yugoslavia; unable to admit observers.

Add. 3, December 9: Reply from Czechoslovakia; unable to admit observers.

Add. 4, December 10: Reply from Rumania; unable to admit observers.

Add. 5, December 10: Letter from U. S. S. R. reiterating view that resolution was interference in domestic affairs of Hungary.

Add. 6, December 12: Note verbale from Hungary that December 16 not appropriate for SYG's visit to Budapest; at a later date,

would make proposal in effort to reach agreement on a date.

A/3436, December 9: Sixteen-power joint draft resolution (Argentina, Australia, Belgium, Chile, Denmark, El Salvador, Ireland, Italy, Netherlands, Norway, Pakistan, Peru, Philippines, Sweden, Thailand, United States) condemning U. S. S. R. for violation of U. N. Charter by depriving Hungary of its liberty and independence and calling upon U. S. S. R. to make immediate arrangements for withdrawal of its armed forces from Hungary.

Add. 1, December 10: Adds Dominion Republic to list of sponsors.

Rev. 1, December 10: Revised joint-draft resolution inserting sentence "Noting the overwhelming demand of the Hungarian people for the cessation of intervention of foreign armed forces and the withdrawal of foreign troops" before operative paragraph 1.

Rev. 1/Add. 1, December 11: Adds Turkey to list of sponsors.

Rev. 2, December 12: Revised joint-draft, resolution adding fifth paragraph to the operative part of draft, requesting SYG to take any initiative he deems helpful in conformity with principles of Charter and the resolutions of the General Assembly.

A/3437, December 10: Joint draft resolution (Burma, Ceylon, India, Indonesia) urging cessation of foreign intervention in Hungary and asks SYG to consult with Hungarian and U. S. S. R. representatives in New York and to consider visiting Moscow to assist in promoting solution.

A/L.216, December 10: Amendments to 17-power draft resolution (A/3436 and Add. 1) by Ceylon, India, and Indonesia.

A/PV.613, December 10: A/PV.614, December 10: General Assembly plenary meetings; consideration of A/3436 and A/L.216; statement by Lodge in 613th meeting (United States/PR/2550).

United States/PR/2550, December 10: Statement by Lodge in 613th plenary; summarizes General Assembly action; quoted Eisenhower concerning terror imposed on Hungary by U. S. S. R.; urged vote on A/3436.

PR/ICEF/632, December 11: Allocation of \$700,000 for relief to Hungarian children and mothers voted by executive board of UNICEF.

A/3441, December 11: Austrian draft resolution authorizing SYG to enter into negotiations with member states of the U. N. as appropriate in effort to achieve constructive solution of Hungarian problem.

A/PV.615, December 11; A/PV.616, December 11: General Assembly plenary meetings; continued discussion. In 615th meeting Hungary made statement re decision of his delegation not to participate in 11th General Assembly "so long as the discussion of the Hungarian question does not proceed in the spirit of the United Nations Charter." In 616th meeting, Austria introduced A/3441, but said it would not be pressed to a vote unless the situation required it after the vote on A/3437. Turkey added to sponsors of A/3436/Rev. 1.

A/3442, December 12: Letter of December 11 from U. S. S. R. to President of General Assembly proposing inclusion of additional item in 11th General Assembly agenda re intervention by the United States in the domestic affairs of the People's Democracies and its subversive activity against those states.

A/3443, December 12: Interim rept of SYG on humanitarian activities to assist Hungarian people; annexes agreement between U. N. and International Committee of the Red Cross.

A/PV.617, December 12; A/PV.618, December 12: General Assembly plenary meetings; Continued discussion of A/3435 and Adds. 1-5, A/3436/Rev. 1 and Add. 1, A/L. 216, A/3437, and A/3441; statement by Lodge in 618th

meeting re amendments to A/3436/Rev. 1 (A/L. 216). In 618th meeting A/L. 216 was rejected in paragraph-by-paragraph vote, except for paragraph 2, which was adopted 49-8-15. Adopted A/3436/Rev. to by rollcall vote of 55-8 (Albania, Bulgaria, Byelorussia, Czechoslovakia, Poland, Rumania, Ukraine, U. S. S. R.)-13. (Afghanistan, Cambodia, Egypt, Finland, India, Indonesia, Jordan, Morocco, Saudi Arabia, Sudan, Syria, Yemen, Yugoslavia) (A/Res./424). A/3437 and A/3441 were not pressed to a vote.

United States/PR/2553, December 12: Statement by Lodge in 618th plenary re amendments to 20-percent draft resolution submitted by Ceylon, India, and Indonesia (A/L. 216).

A/Res./424, December 12: Resolution adopted at 618th plenary meeting A/3436/Rev. 2).

United States/PR/2556, December 13: Statement by Wadsworth in General Committee that United States would vote in favor of inscription of item proposed by U. S. S. R. (A/3442).

United States/PR/2561, December 17: Press release re United States contribution toward United States pledge to U. N. Refugee Fund for calendar year 1956; also that United States had given total of \$5 million for emergency assistance to Hungarian refugees.

PR/REF/101, December 17: Presentation of check for \$4 million by Lodge for United States in response to appeal for aid for Hungarian refugees issued jointly by SYG and U. N. High Commissioner for Refugees.

A/3464, December 18: Note by SYG re humanitarian activities to assist the Hungarian people.

PR/REF/102, December 20: Visit of U. N. High Commissioner for Refugees, Auguste R. Lindt, to Austria; gave \$2 million from Office of High Commissioner for Hungarian refugee relief.

PR/H/1365, December 20: WHO team reports on health conditions among Hungarian refugees.

PR/REF/103, December 21: Conference between Auguste R. Lindt and United States Vice President RICHARD M. NIXON re needs of Hungarian refugees.

A/Res./1133 (XI) 1957: Resolution adopted 677th plenary, September 14, 1957: Question considered by the second emergency special session of the General Assembly from 4 to 10 November 1956, concerns report of the Special Committee on the Problem of Hungary (A/3952).

RESOLUTION S/3733

RESOLUTION ADOPTED BY THE SECURITY COUNCIL AT ITS 754TH MEETING ON NOVEMBER 4, 1956

Considering that a grave situation has been created by the use of Soviet military forces to suppress the efforts of the Hungarian people to reassert their rights; taking into account that because of a lack of unanimity among its permanent members the Security Council has been unable to exercise its primary responsibility for the maintenance of international peace and security; decides to call an emergency special session of the General Assembly, as provided in General Assembly Resolution 377 (V) in order to make appropriate recommendations concerning the situations in Hungary.

A vote was taken by show of hands.

In favor: Australia, Belgium, China, Cuba, France, Iran, Peru, United Kingdom of Great Britain and Northern Ireland, United States of America, Yugoslavia.

Against: Union of Soviet Socialist Republics.

The draft resolution was adopted by 10 votes to 1.

RESOLUTION ADOPTED BY THE GENERAL ASSEMBLY AT ITS 571ST PLENARY MEETING ON NOVEMBER 9, 1956

The General Assembly, noting with deep concern that the provisions of its resolution

of November 4, 1956¹ have not yet been carried out and that the violent repression by the Soviet forces of the efforts of the Hungarian people to achieve freedom and independence continues, Convinced that the recent events in Hungary manifest clearly the desire of the Hungarian people to exercise and to enjoy fully their fundamental rights, freedom and independence, Considering that foreign intervention in Hungary is an intolerable attempt to deny to the Hungarian people the exercise and the enjoyment of such rights, freedom and independence, and in particular to deny to the Hungarian people the right to a government freely elected and representing their national aspirations, Considering that the repression undertaken by the Soviet forces in Hungary constitutes a violation of the Charter of the United Nations and of the Peace Treaty between Hungary and the Allied and Associated Powers, Considering that the immediate withdrawal of the Soviet forces from Hungarian territory is necessary—

1. Calls again upon the Government of the Union of Soviet Socialist Republics to withdraw its forces from Hungary without any further delay;

2. Considers that free elections should be held in Hungary under United Nations auspices, as soon as law and order have been restored, to enable the people of Hungary to determine for themselves the form of government they wish to establish in their country;

3. Reaffirms its request to the Secretary-General to continue to investigate through representatives named by him, the situation caused by foreign intervention in Hungary and to report at the earliest possible moment to the General Assembly;

4. Requests the Secretary General to report in the shortest possible time to the General Assembly on compliance herewith.

A vote was taken by roll call.

Bolivia, having been drawn by lot by the President, was called upon to vote first.

In favor: Bolivia, Brazil, Canada, Chile, China, Colombia, Costa Rica, Cuba, Denmark, Dominican Republic, Ecuador, El Salvador, France, Greece, Guatemala, Honduras, Iceland, Iran, Iraq, Ireland, Israel, Italy, Laos, Liberia, Luxembourg, Mexico, Netherlands, New Zealand, Nicaragua, Norway, Pakistan, Panama, Paraguay, Peru, Philippines, Portugal, Spain, Sweden, Thailand, Turkey, Union of South Africa, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Venezuela, Argentina, Australia, Belgium.

Against: Bulgaria, Byelorussian Soviet Socialist Republic, Czechoslovakia, Hungary, India, Poland, Rumania, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, Yugoslavia, Albania.

Abstaining: Burma, Cambodia, Ceylon, Egypt, Finland, Haiti, Indonesia, Jordan, Lebanon, Libya, Nepal, Saudi Arabia, Syria, Yemen, Afghanistan, Austria.

The draft resolution as a whole was adopted as amended by 48 votes to 11, with 16 abstentions.

A/RES./398

RESOLUTION ADOPTED BY THE GENERAL ASSEMBLY AT ITS 571ST PLENARY MEETING ON NOVEMBER 9, 1956

I

The General Assembly, considering that the military authorities of the Union of Soviet Socialist Republics are interfering with the transportation and distribution of food and medical supplies urgently needed by the civilian population in Hungary—

1. Calls upon the Union of Soviet Socialist Republics to cease immediately actions against the Hungarian population which are in violation of the accepted standards and

¹ A/Res./393.

principles of international law, justice and morality;

2. Calls upon the Hungarian authorities to facilitate, and the Union of Soviet Socialist Republics not to interfere with, the receipt and distribution of food and medical supplies to the Hungarian people and to cooperate fully with the United Nations and its specialized agencies, as well as with other international organizations such as the International Red Cross, to provide humanitarian assistance to the people of Hungary;

3. Urges the Union of Soviet Socialist Republics and the Hungarian authorities to cooperate fully with the Secretary-General and his duly appointed representatives in the carrying out of the tasks referred to above.

II

Considering that, as a result of the harsh and repressive action of the Soviet armed forces, increasingly large numbers of refugees are being obliged to leave Hungary and to seek asylum in neighboring countries,

1. Requests the Secretary-General to call upon the United Nations High Commissioner for Refugees to consult with other appropriate international agencies and interested Governments with a view to making speedy and effective arrangements for emergency assistance to refugees from Hungary;

2. Urges Member States to make special contributions for this purpose.

A vote was taken by roll call.

Liberia, having been drawn by lot by the President, was called upon to vote first.

In favor: Liberia, Luxembourg, Mexico, Nepal, Netherlands, New Zealand, Nicaragua, Norway, Pakistan, Panama, Paraguay, Peru, Philippines, Portugal, Spain, Sweden, Thailand, Turkey, Union of South Africa, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Venezuela, Argentina, Australia, Austria, Belgium, Bolivia, Brazil, Burma, Cambodia, Canada, Chile, China, Colombia, Costa Rica, Cuba, Denmark, Dominican Republic, Ecuador, El Salvador, France, Greece, Guatemala, Haiti, Honduras, Iceland, Iran, Iraq, Ireland, Israel, Italy, Laos.

Against: Poland, Rumania, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, Albania, Bulgaria, Byelorussian Soviet Socialist Republic, Czechoslovakia, Hungary.

Abstaining: Libya, Saudi Arabia, Syria, Yemen, Yugoslavia, Afghanistan, Ceylon, Egypt, Finland, India, Indonesia, Jordan, Lebanon.

The paragraph was adopted by 53 votes to 9, with 13 abstentions.

A/RES./399

RESOLUTION ADOPTED BY THE GENERAL ASSEMBLY AT ITS 571ST PLENARY MEETING ON 9 NOVEMBER 1956

The General Assembly, considering the extreme suffering to which the Hungarian people are subjected, urgently wishing effectively to eliminate this suffering, convinced that humanitarian duties can be fulfilled most effectively through the international cooperation stipulated in article 1, paragraph 3, of the Charter of the United Nations—

1. Resolves to undertake on a large scale immediate aid for the affected territories by furnishing medical supplies, foodstuffs, and clothes;

2. Calls upon all member states to participate to the greatest extent possible in this relief action;

3. Requests the Secretary-General to undertake immediately the necessary measures;

4. Urgently appeals to all countries concerned to give full assistance to the Secretary-General in the implementation of this task.

A vote was taken by roll call.

India, having been drawn by lot by the President, was called upon to vote first.

In favor: India, Indonesia, Iran, Iraq, Ireland, Israel, Italy, Jordan, Laos, Lebanon, Libya, Luxembourg, Mexico, Nepal, Netherlands, New Zealand, Nicaragua, Norway, Pakistan, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Saudi Arabia, Spain, Sweden, Syria, Thailand, Turkey, Union of South Africa, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Venezuela, Yemen, Yugoslavia, Afghanistan, Argentina, Australia, Austria, Belgium, Bolivia, Brazil, Burma, Cambodia, Canada, Ceylon, Chile, China, Colombia, Costa Rica, Cuba, Denmark, Dominican Republic, Ecuador, Egypt, El Salvador, Finland, France, Greece, Guatemala, Haiti, Honduras, Hungary, Iceland.

Against: None.

Abstaining: Liberia, Rumania, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, Albania, Bulgaria, Byelorussian Soviet Socialist Republic, Czechoslovakia.

The draft resolution, as amended, was adopted by 67 votes to none, with 8 abstentions.

A/RES./393

RESOLUTION ADOPTED BY THE GENERAL ASSEMBLY AT ITS 564TH PLENARY MEETING ON NOVEMBER 4, 1956

The General Assembly, considering that the United Nations is based on the principle of the sovereign equality of all its members, recalling that the enjoyment of human rights and of fundamental freedom in Hungary was specifically guaranteed by the peace treaty between Hungary and the Allied and Associated Powers signed at Paris on February 10, 1947, and that the general principle of these rights and this freedom is affirmed for all peoples in the Charter of the United Nations, convinced that recent events in Hungary manifest clearly the desire of the Hungarian people to exercise and to enjoy fully their fundamental rights, freedom, and independence, condemning the use of Soviet military forces to suppress the efforts of the Hungarian people to reassert their rights, noting moreover the declaration by the Government of the Union of Soviet Socialist Republics of October 30, 1956, of its avowed policy of nonintervention in the internal affairs of other states, noting the communication of November 1, 1956,¹ of the Government of Hungary to the Secretary General regarding demands made by that Government to the Government of the Union of Soviet Socialist Republics for the instant and immediate withdrawal of Soviet forces, noting further the communication of November 2, 1956,² from the Government of Hungary to the Secretary General asking the Security Council to instruct the Government of the Union of Soviet Socialist Republics and the Government of Hungary to start the negotiations immediately on withdrawal of Soviet forces, noting that the intervention of Soviet military forces in Hungary has resulted in grave loss of life and widespread bloodshed among the Hungarian people, taking note of the radio appeal of Prime Minister Imre Nagy of November 4, 1956—

1. Calls upon the Government of the Union of Soviet Socialist Republics to desist forthwith from all armed attack on the peoples of Hungary and from any form of intervention, in particular armed intervention, in the internal affairs of Hungary;

2. Calls upon the Union of Soviet Socialist Republics to cease the introduction of additional armed forces into Hungary and to withdraw all of its forces without delay from Hungarian territory;

3. Affirms the right of the Hungarian people to a government responsive to its national aspirations and dedicated to its independence and well-being;

4. Requests the Secretary General to investigate the situation caused by foreign intervention in Hungary, to observe the situation directly through representatives named by him, and to report thereon to the General Assembly at the earliest moment, and as soon as possible suggest methods to bring an end to the foreign intervention in Hungary in accordance with the principles of the Charter of the United Nations;

5. Calls upon the Government of Hungary and the Government of the Union of Soviet Socialist Republics to permit observers designated by the Secretary General to enter the territory of Hungary, to travel freely therein, and to report their findings to the Secretary General;

6. Calls upon all members of the United Nations to cooperate with the Secretary General and his representatives in the execution of his functions;

7. Requests the Secretary General in consultation with the heads of appropriate specialized agencies to inquire, on an urgent basis, into the needs of the Hungarian people for food, medicine, and other similar supplies, and to report to the General Assembly as soon as possible;

8. Requests all members of the United Nations, and invites national and international humanitarian organizations to cooperate in making available such supplies as may be required by the Hungarian people.

A vote was taken by roll call.

Romania, having been drawn by lot by the President, was called upon to vote first.

In favor: Spain, Sweden, Thailand, Turkey, Union of South Africa, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Venezuela, Argentina, Australia, Austria, Belgium, Bolivia, Brazil, Cambodia, Canada, Chile, China, Colombia, Costa Rica, Cuba, Denmark, Dominican Republic, Ecuador, El Salvador, Ethiopia, France, Greece, Guatemala, Haiti, Honduras, Iceland, Iran, Ireland, Israel, Italy, Liberia, Luxembourg, Mexico, Netherlands, New Zealand, Nicaragua, Norway, Pakistan, Panama, Paraguay, Peru, Philippines, Portugal.

Against: Rumania, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, Albania, Bulgaria, Byelorussian Soviet Socialist Republic, Czechoslovakia, Poland.

Abstaining: Saudi Arabia, Syria, Yemen, Yugoslavia, Afghanistan, Burma, Ceylon, Egypt, Finland, India, Indonesia, Iraq, Jordan, Libya, Nepal.

The draft resolution, as amended, was adopted by 50 votes to 8, with 15 abstentions.

A/RES./401

RESOLUTION ADOPTED BY THE GENERAL ASSEMBLY AT ITS 573D PLENARY MEETING ON NOVEMBER 10, 1956

The General Assembly—

1. Decides to place on the provisional agenda of its 11th regular session, as a matter of priority, the question on the agenda of its second emergency special session;

2. Refers to its 11th regular session for consideration the records of the meetings and the documents of its second emergency special session;

3. Decides that, notwithstanding paragraph 1 above, the second emergency special session may continue to consider the question, if necessary, prior to the 11th regular session of the Assembly.

The draft resolution, as amended, was adopted by 53 votes to 9, with 8 abstentions.

A/RES./407

RESOLUTION ADOPTED BY THE GENERAL ASSEMBLY AT ITS 587TH PLENARY MEETING ON NOVEMBER 21, 1956

The General Assembly, recalling its resolutions 1004 (ES-II) of November 4, 1956, and 1005 (ES-II), 1006 (ES-II), and 1007

(ES-II) of November 9, 1956, adopted at the second emergency special session, noting that the Secretary-General has been requested to report to the General Assembly on compliance with resolutions 1004 (ES-II) and 1005 (ES-II), having received information that the Soviet army of occupation in Hungary is forcibly deporting Hungarian men, women, and children from their homes to places outside Hungary, recalling the principles of the Charter of the United Nations, in particular the principle embodied in article 2, paragraph 4, the obligations assumed by all Member States under articles 55 and 56 of the Charter, the principles of the Convention on the Prevention and Punishment of the Crime of Genocide, in particular article II (c) and (e), to which Hungary and the Union of Soviet Socialist Republics are parties, and the Treaty of Peace with Hungary, in particular the provisions of article 2—

1. Considers that the information received adds urgency to the necessity of prompt compliance with resolutions 1004 (ES-II) and 1005 (ES-II) calling for the prompt withdrawal of Soviet forces from Hungary and for the dispatch of observers to Hungary by the Secretary-General;

2. Urges the Government of the Union of Soviet Socialist Republics and the Hungarian authorities to take immediate steps to cease the deportation of Hungarian citizens and to return promptly to their homes those who have been deported from Hungarian territory;

3. Requests the Secretary-General to keep the General Assembly informed as to compliance with this as well as the above-mentioned resolutions, so that the Assembly may be in a position to consider such further action as it may deem necessary.

A vote was taken by roll call.

Nepal, having been drawn by lot by the President, was called upon to vote first.

In favor: Nepal, Netherlands, New Zealand, Nicaragua, Norway, Pakistan, Panama, Paraguay, Peru, Philippines, Portugal, Spain, Sweden, Thailand, Turkey, Union of South Africa, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Venezuela, Argentina, Australia, Austria, Belgium, Bolivia, Brazil, Burma, Cambodia, Canada, Ceylon, Chile, China, Colombia, Costa Rica, Cuba, Denmark, Dominican Republic, Ecuador, El Salvador, Ethiopia, France, Greece, Guatemala, Haiti, Honduras, Iceland, Iran, Iraq, Ireland, Israel, Italy, Laos, Liberia, Luxembourg, Mexico.

Against: Poland, Rumania, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, Yugoslavia, Albania, Bulgaria, Byelorussian Soviet Socialist Republic, Czechoslovakia, Hungary.

Abstaining: Saudi Arabia, Sudan, Syria, Tunisia, Yemen, Afghanistan, Egypt, Finland, India, Indonesia, Jordan, Lebanon, Libya, Morocco.

The draft resolution as a whole, as amended, was adopted by 55 votes to 10, with 14 abstentions.

A/RES./408

RESOLUTION ADOPTED BY THE GENERAL ASSEMBLY AT ITS 587TH PLENARY MEETING ON NOVEMBER 21, 1956

The General Assembly, noting that certain member states have affirmed that Hungarian nationals have been forcibly deported from their country, noting further that certain other member states have categorically affirmed that no such deportations have taken place, recalling paragraph 5 of its resolution 1004 (ES-II) of November 4, 1956, in which the Government of Hungary is asked to permit observers designated by the Secretary-General to enter the territory of Hungary, to travel freely therein, and to report their findings to the Secretary-General, noting that the Secretary-General is pursuing his efforts in this regard with the

¹ A/3251.

² S/3726.

Hungarian Government, noting further that the Secretary-General has urged Hungary as a member of the United Nations to co-operate with the great majority in the clarification of the situation—

1. Urges Hungary to accede to the request made by the Secretary-General without prejudice to its sovereignty;

2. Requests the Secretary-General to report to the General Assembly without delay. A vote was taken by roll call.

Afghanistan, having been drawn by lot by the President, was called upon to vote first.

In favor: Afghanistan, Argentina, Australia, Austria, Belgium, Bolivia, Brazil, Burma, Cambodia, Canada, Ceylon, Colombia, Costa Rica, Denmark, Ecuador, El Salvador, Finland, France, Greece, Guatemala, Haiti, Honduras, Iceland, India, Indonesia, Iran, Iraq, Ireland, Israel, Italy, Laos, Lebanon, Liberia, Libya, Luxembourg, Mexico, Morocco, Nepal, Netherlands, New Zealand, Nicaragua, Norway, Pakistan, Peru, Philippines, Portugal, Spain, Sudan, Sweden, Thailand, Tunisia, Turkey, Union of South Africa, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Venezuela.

Against: Albania, Bulgaria, Byelorussian Soviet Socialist Republic, Czechoslovakia, Hungary, Rumania, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics.

Abstaining: Chile, China, Cuba, Dominican Republic, Egypt, Ethiopia, Jordan, Panama, Paraguay, Poland, Saudi Arabia, Syria, Yemen, Yugoslavia.

The draft resolution was adopted by 57 votes to 8, with 14 abstentions.

A/Res./409

RESOLUTION ADOPTED BY THE GENERAL ASSEMBLY AT ITS 587TH PLENARY MEETING ON NOVEMBER 21, 1956

The General Assembly, noting the grave situation described in the report of the Office of the United Nations High Commissioner for Refugees to the Secretary-General in document A/3371 and Corr. 1 and Add. 1, considering that the flow of refugees from Hungary continues at a high rate, recognizing the urgent need of these tens of thousands of refugees for care and resettlement—

1. Takes note with appreciation of the action taken by the Secretary-General to determine and help to meet the need of the Hungarian refugees, and by the Office of the United Nations High Commissioner for Refugees to assist these refugees and to bring about coordinated action on their behalf by governments, intergovernmental agencies and nongovernmental organizations;

2. Requests the Secretary-General and the High Commissioner for Refugees to continue their efforts;

3. Urges governments and nongovernmental organizations to make contributions to the Secretary-General to the High Commissioner for Refugees or to other appropriate agencies for the care and resettlement of Hungarian refugees, and to coordinate their aid programs in consultation with the Office of the High Commissioner;

4. Requests the Secretary-General and the High Commissioner for Refugees to make an immediate appeal to both governments and nongovernmental organizations to meet the minimum present needs as estimated in the report of the Office of the High Commissioner for Refugees to the Secretary-General and authorizes them to make subsequent appeals on the basis of plans and estimates made by the High Commissioner with the concurrence of his executive committee.

A vote was taken by roll call.

Canada, having been drawn by lot by the President, was called upon to vote first.

In favor: Canada, Ceylon, Chile, China, Colombia, Costa Rica, Cuba, Denmark, Dominican Republic, Ecuador, Egypt, El Salvador, Ethiopia, Finland, France, Greece,

Guatemala, Haiti, Honduras, Iceland, India, Indonesia, Iran, Iraq, Ireland, Israel, Italy, Jordan, Laos, Lebanon, Liberia, Libya, Luxembourg, Mexico, Morocco, Nepal, Netherlands, New Zealand, Nicaragua, Norway, Pakistan, Panama, Paraguay, Peru, Philippines, Portugal, Saudi Arabia, Spain, Sweden, Syria, Thailand, Tunisia, Turkey, Union of South Africa, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Venezuela, Yemen, Yugoslavia, Afghanistan, Argentina, Australia, Austria, Belgium, Bolivia, Brazil, Burma, Cambodia.

Against: Hungary, Romania.

Abstaining: Czechoslovakia, Poland, Sudan, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, Albania, Bulgaria, Byelorussian Soviet Socialist Republic.

The draft resolution was adopted by 69 votes to 2, with 8 abstentions.

A/Res./413

RESOLUTION ADOPTED BY THE GENERAL ASSEMBLY AT ITS 608TH PLENARY MEETING ON DECEMBER 4, 1956

The General Assembly, recalling its resolutions 1004 (ES-II) of November 4, 1956, 1005 (ES-II), 1006 (ES-II), and 1007 (ES-II) of November 9, 1956, and A/Res./407 and A/Res./408 of November 21, 1956 relating to the tragic events in Hungary, having received and noted the report of the Secretary-General¹ that United Nations observers have not been permitted to enter Hungary, noting with deep concern that the Government of the Union of Soviet Socialist Republics has failed to comply with the provisions of the United Nations resolutions calling upon it to desist from its intervention in the internal affairs of Hungary, to cease its deportations of Hungarian citizens and to return promptly to their homes those it has already deported, to withdraw its armed forces from Hungary and to cease its repression of the Hungarian people—

1. Reiterates its call upon the Government of the Union of Soviet Socialist Republics and the Hungarian authorities to comply with the above resolutions and to permit United Nations observers to enter the territory of Hungary, to travel freely therein and to report their findings to the Secretary-General;

2. Requests the Government of the Union of Soviet Socialist Republics and the Hungarian authorities to communicate to the Secretary-General, not later than December 7, 1956, their consent to receive United Nations observers;

3. Recommends that in the meantime the Secretary-General arrange for the immediate dispatch to Hungary, and other countries as appropriate, of observers named by him pursuant to paragraph 4 of resolution 1004 (ES-II);

4. Requests the governments of all member states to cooperate with the representatives named by the Secretary-General by extending such assistance and providing such facilities as may be necessary for the effective discharge of their responsibilities.

A vote was taken by roll call. Afghanistan, having been drawn by lot by the President, was called upon to vote first.

In favor: Argentina, Australia, Austria, Belgium, Bolivia, Brazil, Cambodia, Canada, Chile, China, Colombia, Costa Rica, Cuba, Denmark, Dominican Republic, Ecuador, El Salvador, Ethiopia, France, Greece, Guatemala, Haiti, Honduras, Iceland, Iran, Iraq, Ireland, Israel, Italy, Laos, Lebanon, Liberia, Libya, Luxembourg, Mexico, Nepal, Netherlands, New Zealand, Nicaragua, Norway, Pakistan, Panama, Paraguay, Peru, Philippines, Portugal, Spain, Sweden, Thailand, Turkey, United Kingdom of Great Britain and

¹ A/3403.

Northern Ireland, United States of America, Uruguay, Venezuela.

Against: Albania, Bulgaria, Byelorussian Soviet Socialist Republic, Czechoslovakia, Hungary, Poland, Romania, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, Yugoslavia.

Abstaining: Afghanistan, Burma, Ceylon, Finland, India, Indonesia, Jordan, Morocco, Saudi Arabia, Sudan, Syria, Tunisia, Yemen.

The draft resolution as a whole was adopted by 54 votes to 10, with 14 abstentions.

A RES. 424

RESOLUTION ADOPTED BY THE GENERAL ASSEMBLY AT ITS 618TH PLENARY MEETING ON DECEMBER 12, 1956.

The General Assembly, deeply concerned over the tragic events in Hungary, recalling those provisions of its resolutions 1004 (ES-II) of November 4, 1956, 1005 (ES-II) of November 9, 1956, A/Res./407 of November 21, 1956, and A/Res./413 of December 4, 1956, calling upon the Government of the Union of Soviet Socialist Republics to desist from its intervention in the internal affairs of Hungary, to withdraw its forces from Hungary and to cease its repression of the Hungarian people, recalling also those provisions of its resolutions 1004 (ES-II) and A/Res./407, calling for permission for United Nations observers to enter the territory of Hungary, to travel freely therein and to report their findings to the Secretary-General, having received the report of the Secretary-General¹ of November 30, 1956, stating that no information is available to the Secretary-General concerning steps taken in order to establish compliance with the decisions of the General Assembly which refer to a withdrawal of troops or related political matters, and the note of the Secretary-General² of December 7, 1956, noting with grave concern that there has not been a reply to the latest appeal of the General Assembly for the admission of United Nations observers to Hungary, as contained in its resolution A/Res./413, considering that recent events have clearly demonstrated the will of the Hungarian people to recover their liberty and independence, noting the overwhelming demand of the Hungarian people for the cessation of intervention of foreign armed forces and the withdrawal of foreign troops—

1. Declares that, by using its armed force against the Hungarian people, the Government of the Union of Soviet Socialist Republics is violating the political independence of Hungary;

2. Condemns the violation of the Charter by the Government of the Union of Soviet Socialist Republics in depriving Hungary of its liberty and independence and the Hungarian people of the exercise of their fundamental rights;

3. Reiterates its call upon the Government of the Union of Soviet Socialist Republics to desist forthwith from any form of intervention in the internal affairs of Hungary;

4. Calls upon the Government of the Union of Soviet Socialist Republics to make immediate arrangements for the withdrawal, under United Nations observation, of its armed forces from Hungary and to permit the reestablishment of the political independence of Hungary;

5. Requests the Secretary-General to take any initiative that he deems helpful in relation to the Hungarian problem, in conformity with the principles of the Charter and the resolutions of the General Assembly.

A vote was taken by roll call.

Israel, having been drawn by lot by the President, was called upon to vote first.

In favor: Israel, Italy, Laos, Lebanon, Liberia, Libya, Luxembourg, Mexico, Nepal, Netherlands, New Zealand, Nicaragua, Nor-

¹ A/3403.

² A/3435.

way, Pakistan, Panama, Paraguay, Peru, Philippines, Portugal, Spain, Sweden, Thailand, Tunisia, Turkey, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Venezuela, Argentina, Australia, Austria, Belgium, Bolivia, Brazil, Burma, Canada, Ceylon, Chile, China, Colombia, Costa Rica, Cuba, Denmark, Dominican Republic, Ecuador, El Salvador, Ethiopia, France, Greece, Guatemala, Honduras, Iceland, Iran, Iraq, Ireland.

Against: Poland, Romania, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, Albania, Bulgaria, Byelorussian Soviet Socialist Republic, Czechoslovakia.

Abstaining: Jordan, Morocco, Saudi Arabia, Sudan, Syria, Yemen, Yugoslavia, Afghanistan, Cambodia, Egypt, Finland, India, Indonesia.

The draft resolution as a whole was adopted by 55 votes to 8, with 13 abstentions.

A/RES./449

RESOLUTION ADOPTED BY THE GENERAL ASSEMBLY AT ITS 636TH PLENARY MEETING ON JANUARY 10, 1957

The General Assembly, recalling its previous resolutions on the Hungarian problem, reaffirming the objectives contained therein and the continuing concern of the United Nations in this matter, having received the report of the Secretary-General of January 5, 1957,¹ desiring to ensure that the General Assembly and all members of the United Nations shall be in possession of the fullest and best available information regarding the situation created by the intervention of the Union of Soviet Socialist Republics, through its use of armed force and other means, in the internal affairs of Hungary, as well as regarding developments relating to the recommendations of the General Assembly on this subject—

1. Establishes, for the above-mentioned purposes, a special committee, composed of representatives of Australia, Ceylon, Denmark, Tunisia and Uruguay, to investigate, and to establish and maintain direct observation in Hungary and elsewhere, taking testimony, collecting evidence and receiving information, as appropriate, in order to report its findings to the General Assembly at its present session, and thereafter from time to time to prepare additional reports for the information of Members of the United Nations and of the General Assembly if it is in session;

2. Calls upon the Union of Soviet Socialist Republics and Hungary to cooperate in every way with the committee and, in particular, to permit the committee and its staff to enter the territory of Hungary and to travel freely therein;

3. Requests all member states to assist the committee in any way appropriate in its task, making available to it relevant information, including testimony and evidence, which members may possess, and assisting it in securing such information;

4. Invites the Secretary-General to render the committee all appropriate assistance and facilities;

5. Calls upon all member states promptly to give effect to the present and previous resolutions of the General Assembly on the Hungarian problem;

6. Reaffirms its request that the Secretary-General continue to take any initiative that he deems helpful in relation to the Hungarian problem, in conformity with the principles of the Charter of the United Nations and the resolutions of the General Assembly.

A vote was taken by roll call.

Turkey, having been drawn by lot by the President, was called upon to vote first.

In favor: Turkey, United Kingdom of Great Britain and Northern Ireland, United States

of America, Uruguay, Venezuela, Argentina, Australia, Austria, Belgium, Bolivia, Brazil, Burma, Cambodia, Canada, Ceylon, Chile, China, Colombia, Costa Rica, Denmark, Dominican Republic, Ecuador, El Salvador, Ethiopia, France, Greece, Guatemala, Haiti, Honduras, Iceland, Indonesia, Iran, Iraq, Ireland, Israel, Italy, Japan, Laos, Lebanon, Liberia, Libya, Luxembourg, Mexico, Morocco, Nepal, Netherlands, New Zealand, Nicaragua, Norway, Pakistan, Panama, Paraguay, Peru, Philippines, Portugal, Spain, Sweden, Thailand, Tunisia.

Against: Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, Albania, Bulgaria, Byelorussian Soviet Socialist Republic, Czechoslovakia, Poland, Rumania.

Abstaining: Yugoslavia, Afghanistan, Cuba, Egypt, Finland, India, Jordan, Saudi Arabia, Sudan, Syria.

The draft resolution was adopted by 59 votes to 8, with 10 abstentions.

A/RES./1133

RESOLUTION ADOPTED BY THE GENERAL ASSEMBLY AT THE SECOND EMERGENCY SPECIAL SESSION OF THE GENERAL ASSEMBLY FROM NOVEMBER 4 TO 10, 1956

The General Assembly, recalling its resolution 1132 (XI) of January 10, 1957, establishing a special committee, consisting of representatives of Australia, Ceylon, Denmark, Tunisia, and Uruguay, to investigate, and to establish and maintain direct observation in Hungary and elsewhere, taking testimony, collecting evidence and receiving information, as appropriate, having now received the unanimous report of the Special Committee on the Problem of Hungary,¹ regretting that the Union of Soviet Socialist Republics and the present authorities in Hungary have failed to cooperate in any way with the committee—

1. Expresses its appreciation to the Special Committee on the Problem of Hungary for its work;

2. Endorses the report of the committee;

3. Notes the conclusion of the committee that the events which took place in Hungary on October and November of 1956 constituted a spontaneous national uprising;

4. Finds that the conclusions reached by the committee on the basis of its examination of all available evidence confirm that:

(a) The Union of Soviet Socialist Republics, in violation of the Charter of the United Nations, has deprived Hungary of its liberty and political independence and the Hungarian people of the exercise of their fundamental human rights;

(b) The present Hungarian regime has been imposed on the Hungarian people by the armed intervention of the Union of Soviet Socialist Republics;

(c) The Union of Soviet Socialist Republics has carried out mass deportations of Hungarian citizens to the Union of Soviet Socialist Republics;

(d) The Union of Soviet Socialist Republics has violated its obligations under the Geneva Conventions of 1949;

(e) The present authorities in Hungary have violated the human rights and freedoms guaranteed by the Treaty of Peace With Hungary;

5. Condemns these acts and the continued defiance of the resolutions of the General Assembly;

6. Reiterates its concern with the continuing plight of the Hungarian people;

7. Considers that further efforts must be made to achieve the objectives of the United Nations in regard to Hungary in accordance with the purposes and principles of the charter and the pertinent resolutions of the General Assembly;

¹ Official records of the General Assembly, 11th session, supplement No. 18 (A/3592).

8. Calls upon the Union of Soviet Socialist Republics and the present authorities in Hungary, in view of evidence contained in the report, to desist from repressive measures against the Hungarian people, to respect the liberty and political independence of Hungary and the Hungarian people's enjoyment of fundamental human rights and freedoms, and to ensure the return to Hungary of those Hungarian citizens who have been deported to the Union of Soviet Socialist Republics;

9. Requests the President of the 11th session of the General Assembly, His Royal Highness Prince Wan Waithayakon, as the General Assembly's special representative on the Hungarian problem, to take such steps as he deems appropriate, in view of the findings of the committee, to achieve the objectives of the United Nations in accordance with General Assembly resolutions 1004 (ES-II) of November 4, 1956, 1005 (ES-II) of November 9, 1956, 1127 (XI) of November 21, 1956, 1131 (XI) of December 12, 1956, and 1132 (XI) of January 10, 1957, to consult as appropriate with the committee during the course of his endeavors, and to report and make recommendations as he may deem advisable to the General Assembly;

10. Decides to place the Hungarian item on the provisional agenda of the 12th session of the General Assembly.

(677th plenary meeting, September 14, 1957.)

A vote was taken by roll call.

Israel, having been drawn by lot by the President, was called upon to vote first.

In favor: Israel, Italy, Japan, Jordan, Laos, Lebanon, Liberia, Libya, Luxembourg, Mexico, Morocco, Netherlands, New Zealand, Nicaragua, Norway, Pakistan, Panama, Paraguay, Peru, Philippines, Portugal, Spain, Sudan, Sweden, Thailand, Tunisia, Turkey, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Venezuela, Argentina, Australia, Austria, Belgium, Bolivia, Brazil, Burma, Cambodia, Canada, Chile, China, Colombia, Costa Rica, Cuba, Denmark, Dominican Republic, Ecuador, El Salvador, Ethiopia, France, Ghana, Greece, Guatemala, Haiti, Honduras, Iceland, Iran, Iraq, Ireland.

Against: Poland, Rumania, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, Yugoslavia, Albania, Bulgaria, Byelorussian Soviet Socialist Republic, Czechoslovakia, Hungary.

Abstaining: Nepal, Saudi Arabia, Syria, Yemen, Afghanistan, Ceylon, Egypt, Finland, India, Indonesia.

The draft resolution was adopted by 60 votes to 10, with 10 abstentions.

RESEARCH ACTIVITIES IN THE FIELDS OF HEALTH AND MEDICINE

Mr. THYE. Mr. President, as ranking minority member of the Senate Appropriations Subcommittee for the Departments of Labor and of Health, Education, and Welfare, I have a long-standing interest in support of research activities in the fields of health and medicine. The bill appropriating funds for the Department of Health, Education, and Welfare includes research money for the National Institutes of Health, such as the National Heart Institute.

The need for continued research into the causes and treatment of heart diseases was well illustrated in a recent article which appeared in the St. Paul Sunday Pioneer Press of July 20. We are all aware, I am sure, of the crippling effects which rheumatic fever can have on the heart, but few of us realize the

¹ A/3485.

lack of knowledge concerning the causes and treatment of this dread affliction. The article to which I have referred is an account of the research on rheumatic fever being done by Dr. Wannamaker of the University of Minnesota under a lifetime research grant from the American Heart Association. This is a very interesting and informative article, Mr. President, and I ask unanimous consent that it be printed in the RECORD at this point in my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the St. Paul Sunday Pioneer Press of July 20, 1958]

LIFETIME GRANT AIDS SCIENTIST—UNIVERSITY DOCTOR FIGHTS CHILD KILLER

(By Allen Doerr)

It starts with a sore throat.
Maybe.
Fever joint pains and heart murmur follow.

Maybe.
It can kill a child, cripple it, or leave it apparently untouched.

And 15 years later it can return like a knife out of the night and the child, now adult, can die.

Maybe.
The disease is rheumatic fever. It is mostly a mystery. When doctors talk about it, they qualify almost everything they say with that word, "maybe."

"The main thing we know about rheumatic fever is that we know very little about it," says Dr. Lewis W. Wannamaker, 2323 Commonwealth, professor of pediatrics at the University of Minnesota.

Dr. Wannamaker speaks about rheumatic fever from a unique position. He has done research in the disease since 1948 and is 1958-60 chairman of the American Heart Association Committee on Prevention of Rheumatic Fever.

This month he began studying the disease under a lifetime research grant from the AHA—\$30,000 a year for 30 years. The AHA supports work by 183 scientists, but has made only 6 of these lifetime grants.

The grant provides a salary of \$13,000 to \$18,000 (exact amounts are not disclosed), \$10,000 for laboratory costs, travel, and assistants, and \$2,000 to the university. There also is a \$500-a-year allowance for each of his 4 children and his wife.

He can, and does, add to the laboratory funds with other grants, but his salary cannot be supplemented. Dr. Wannamaker, who at 35 has been associated with 9 institutions, thinks this is a good idea.

He is of medium height, has a round, boyish face and blinks intently through his glasses as he talks, with just a trace of his native South Carolina in his careful words.

"Modern medical schools have become like government," he said. "There are too many activities that come between the researcher and his research. He gets so involved he can't accomplish what he might accomplish."

"There are few of these independent research positions. Minnesota has more than most schools."

Dr. Wannamaker did not apply for his grant. The AHA does not take applications for the lifetime grants. The first he knew he was being considered was when a member of the committee asked if the grant would be acceptable to him.

"I found out they knew more about me than I knew about myself."

The grant is for any research he wants to follow. But up on the 14th floor of the university's Mayo Memorial Building Dr. Wannamaker is continuing his probe of the secrets of rheumatic fever.

The fever is 10 times more common and 10 times more crippling than polio was before Salk vaccine, according to Dr. Karl Anderson, Minneapolis, president of the Minnesota Heart Association. It hits mostly at children, but adults are not immune.

"There has been the impression that the disease is diminishing, no longer a serious health problem," Dr. Wannamaker said. "But a recent survey showed there still are 2,500 to 3,000 active cases each year in Minnesota."

"What don't we know about rheumatic fever? We don't know what causes it. We can't diagnose it accurately. We have no sure treatment. There are loopholes in our preventive methods."

The most popular theory is that streptococci bacteria trigger rheumatic fever, he said. A person probably will average a strep infection about once every 5 years "though we don't have real good figures on this. Some have them more often, some less. And it declines with age."

Three of each 100 strep infections will be followed in 2 to 3 weeks by symptoms of acute rheumatic fever—fever, joint pains, and heart murmur.

A few of these patients will die during the acute attack. Some will suffer permanent heart damage. Some will recover. If they get strep infection again, odds of acute rheumatic fever go up to 50 percent.

A study for 20 years of a group of acute fever patients showed that one-third eventually died, one-third suffered permanent heart damage, and one-third recovered with no evidence of the disease, he said.

That was before present use of drugs to prevent a second strep infection.

"Apparently the fever results from a kind of allergy to strep infection," Dr. Wannamaker said. "But streptococci produce 23 known and more unknown components. Which components are responsible? We haven't even been able to isolate the components."

"Then what is the difference between the three who are allergic and the 97 who are not? Were they born different? Have previous strep infections made them different?"

"Or is the difference in the strep? There are more than 40 kinds of streptococci and each produces a different combination of components."

"Diagnosis is just as complicated. Symptoms are similar to other diseases. Many persons have mild symptoms, or none at all. Adults who never had a diagnosed case of rheumatic fever die of rheumatic heart disease."

"Treatments have been tried and abandoned, like tonsillectomy, changes of climate, special diets, and long bed rest. We still use bed rest, but it's deemphasized."

"We use aspirin and the drugs ACTH and cortisone. But there are a lot of opinions on these and not an awful lot of facts. We know they control acute symptoms, but we don't know their effect on the heart disease."

"Our best results seem to be with early cases, but some of these go undetected. If we miss them, it may be 15 years before heart damage becomes apparent."

"We have done better with prevention, mostly because we see the relationship between strep and rheumatic fever," Dr. Wannamaker said. "We control the fever by controlling strep."

"Those who have had acute rheumatic fever we protect with penicillin and sulfa from a second strep infection. There has been some question, but our Heart Association committee has recommended continuing the drug for life—it's cheap insurance."

"We also use penicillin to arrest original strep infections. But we can spot only about half the cases. And then treatment takes 10 days. It's hard to make mothers continue it when their children feel all right."

"We would like to control the spread of strep. Indications are it spreads by direct contact. One way would be a vaccine. But those tried so far produce severe reactions without giving much protection. Then there are those 40 kinds of streptococci. You would need to vaccinate against each one."

Dr. Wannamaker is concentrating now on trying to isolate the components of streptococci. He has been at the university since 1952 and has no plans to move, though the grant allows him to work anywhere. He will not try to predict success.

"We don't have enough information to know when we may solve the problems," he said. "We may find our answer suddenly, or someone working in another field may stumble on it."

"Even with a lifetime to work, so much depends on chance."

Mr. THYE. Mr. President, in further reference to this article, while I served as Governor of Minnesota, the Variety Clubs of America came to the Governor one day and informed me that if the State of Minnesota could match their dollars, they would make a very substantial contribution to a fund to be known as the research hospital fund for child heart disease research.

I accepted the challenge, and the State of Minnesota matched the Variety Clubs' contribution. In due time the heart research hospital was built at the University of Minnesota, and was staffed, and it has done outstanding research in child heart disease. It brought forth knowledge about operations on defective hearts of children, which operations make possible a normal life for a child who is so afflicted. Children suffering from such defective hearts are known as blue babies. Without surgery, the life expectancy of such children is shortened.

It is most gratifying to know that much progress has been made as a result of endeavors to bring about greater appropriations for research into heart disease, and to note the results which have been accomplished, as reported in the article from the St. Paul Pioneer Press which I put in the RECORD.

Mr. President, I turn to another subject.

The VICE PRESIDENT. The Senator from Minnesota.

AMERICAN FIELD SERVICE SCHOLARSHIPS

Mr. THYE. Mr. President, as many of us did last week, I had the delightful experience of meeting some 106 foreign high-school students who have spent the past year in Minnesota as members of a group who received American Field Service scholarships. A total of 1,038 students were here from 45 nations during last year. It is a matter of great pride to me that our great State of Minnesota played host to more than 10 percent of the total. The enthusiasm and interest of these young men and women were proof positive of the enormous value of this program.

For 12 years the American Field Service has been active in promoting exchanges of American and foreign young people. Members taking part have increased in number every year. Many of these youngsters will be tomorrow's lead-

ers in their home countries. The bonds and ties which have been forged during their visits to America may well be the means of further uniting the free nations of the world for years to come.

In my opinion, one of the most effective ways of informing people about America is to have young enthusiastic men and women come here and live with us for a time.

Minnesota is made up of people from almost every nation of the earth. These people built our State and made it great. Their standards and values brought Minnesota through many a crisis; our foreign-born Minnesotans are largely responsible for our progress in science, the arts, business, and the professions.

Mr. President, I salute the American Field Service and the many fine people who are associated with it, for the great contribution they are making to deeper understanding between the peoples of the world for lasting peace.

FRINGE RULERS IN THE MIDDLE EAST

Mr. SPARKMAN. Mr. President, we are all greatly concerned, of course, about the situation in the Middle East, which is a matter of continuing concern. We hope the best possible arrangement can be worked out and that stability may be brought to that war-torn area.

In the Washington Post and Times Herald of this morning there was a very readable, interesting, and thought-provoking article under the byline of David McNichol, writing for the Chicago Daily News Service, from London. I ask unanimous consent that the article be printed as a part of my remarks at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

FRINGE RULERS WALK TIGHTROPE IN MID-EAST (By David McNichol)

LONDON, July 22.—Life for fringe rulers in the Middle East at the very best will be an agonizing tightrope performance in the future, with fatal consequences if they slip.

Only 7 days after it began, United States and British intervention in the area already is losing its momentum—and its attraction for those leaders who so far have survived Gamal Abdel Nasser's pressures.

With the exception of embattled King Hussein of Jordan, not one of them has plunked wholeheartedly for the West. Most of them, in fact, are being driven already to make new concessions to Nasser to calm their unruly peoples.

SOVIET IS "PROTECTOR"

Behind the United Arab Republic's President, in turn, the Soviet Union looms in Arab eyes as a "sponsor of freedom" and a "protector."

It is a galling irony, but it is true.

The acting ruler of Kuwait, for example, has halted the issue of visas to Western newspapermen and denied permission to cable to those already there.

His spokesman in Cairo has added bluntly that Kuwait does not want foreign assistance.

A British frigate of the Persian Gulf command was hurriedly dispatched yesterday to another tiny oil principality, that of Qatar. It found no trouble, but Qatar's ruler, Shiek

Ali Bin Abdullah, now is expected to postpone a scheduled official visit to London.

HAGGLING OVER FLIGHT

Even Arabia's King Saud, on whom Washington has lavished so much attention, has haggled about the flight over his kingdom of American aircraft carrying kerosene for the empty cookstoves of Jordan.

The emerging federation in the Aden protectorate on which Britain looked with friendly eyes probably also has been torpedoed.

The Israelis allowed British aircraft to fly over Israel en route to Jordan, but with some misapprehension. They are not eager to give the Arabs any added cause for their already savage and bitter hatred.

King Hussein himself could not expect to survive 1 day if British troops were withdrawn. British reports this morning speak ominously of possible demonstrations in Jordan. The Moslem religious holiday on Friday will be a day to watch.

Rock-throwing and rioting often begin after the noontime visit to the mosques.

In the meantime, there is a growing inclination here to give the new government in Iraq time to prove itself. What this really means is that any ideas or plans for intervention there have been dropped.

UNITED NATIONS EMERGENCY FORCE

Mr. SPARKMAN. Mr. President, I am very hopeful that there may be called up today a resolution which was reported by the Committee on Foreign Relations yesterday.

If I may, I should like to have the attention of the distinguished minority leader.

The resolution is in the exact wording of a resolution which the Senate adopted unanimously a year ago relating to the United Nations Police Force, with the exception that whereas last year the resolution sought to express the sense of the Senate, this year there has been reported a concurrent resolution to express the sense of the Congress as a whole.

It is my understanding that the House Committee on Foreign Affairs is already considering a similar resolution, which was submitted last year, upon which no action was taken.

I address these remarks primarily to the minority leader, in the hope that there may be an agreement between him and the majority leader to allow the concurrent resolution to be considered by the Senate today.

Mr. KNOWLAND. I will say to the distinguished Senator from Alabama that I am prepared to cooperate fully with the majority leader in scheduling the concurrent resolution for consideration by the Senate either today or tomorrow. I think the Members ought to have notice and an opportunity to read the resolution and the report.

Personally I believe there should be such an emergency force in being. I shall be prepared to discuss the resolution. I intend to support it.

I think we must make clear that even with the existence of such an emergency force of the United Nations we would not automatically solve the problems we are encountering in the United Nations, as is apparent from the fact that we have just been confronted by the 85th veto of the Soviet Union. Even assuming an

emergency force in being, if a nation appealed for help and went to the Security Council, the Soviet Union has demonstrated it can either inspire subversion or, indeed, embark upon overt aggression. The Soviets can always veto the use of such a force as is contemplated. If the matter goes to the General Assembly, the Soviets can organize a prolonged discussion for perhaps 8 or 10 or more days. As the Senator knows, the discussion went on for a much longer period than that in the case of Hungary. Freedom can be strangled to death during such a period of time.

While I think the establishment of a United Nations Emergency Force would be a step in the right direction, I do not believe it would automatically in any sense meet the needs of the situation, since we have seen the United Nations and its capacity for maintaining peace violated any number of times by the abuse of the veto power on the part of the Soviet Union.

Mr. SPARKMAN. I assure the distinguished minority leader that I am in complete agreement with the statement he has made. I well recognize such a step will not be a cure-all.

I have been of the belief that such action is necessary, and I have been of that belief for a long time. This is not a new proposal for me. I have been promoting this kind of resolution for, I am sure, at least 10 years.

I was very glad last year when the Senate took unanimous action to state its position. I am hopeful that the United States, in the General Assembly of the United Nations this fall, if it is not able to do so before that time, will take active leadership in the effort to create such an emergency force. I believe that if there were such a force in being under an operational plan whereby the Secretary General would have the privilege of sending the force into action, as he sent UN observers to Lebanon, it would be of great value.

I noted what the distinguished Senator from California said yesterday on the floor. I was present and heard his remarks. Even if the Japanese resolution should be adopted, it would not be sufficient to send a group of unarmed observers. I agree with the Senator fully in his statement to that effect. However, I think it would be better than nothing.

When I use the term "police force," I mean exactly that. I do not mean a standing army. I think of a police force which could be dispatched for boundary patrolling similar to what was done in the Gaza Strip on the Israeli-Egyptian border during the Suez crisis. I think that would be most helpful.

I should like to say, in addition, that I am going to ask that the report, if it has come from the printer—

Mr. KNOWLAND. If the Senator will yield, I may say that the report has come from the printer. I have a copy of the report on my desk.

Mr. SPARKMAN. I see that a copy of the report has been placed on the desk of each Senator, so that Senators may have an opportunity to examine it.

I will say again that the report is in almost the exact wording of the report of last year. I believe it simply says "In its report on Senate Resolution 15 last year the committee said:" and so on.

Mr. KNOWLAND. I fully concur with the Senator. I supported the resolution a year ago.

Mr. SPARKMAN. I know the Senator from California did. He was very helpful in having the resolution agreed to.

Mr. KNOWLAND. I will support this resolution. I think it is too bad such a force has not been in existence for a number of years.

As the Senator knows, the Government of the United States has been favorably disposed, both under the last administration and under the present administration, to the creation of such a force. Again I will say that we have encountered the objection of the Soviet Union as to such an establishment. It is too bad such a force did not exist at the time of the Hungarian situation.

Mr. SPARKMAN. I agree with the Senator.

Mr. KNOWLAND. During that crucial period of from 5 days to a week, when the constitutional government of Hungary under Premier Nagy appealed to the United Nations for help, there was no force in being in the first place; and, in the second place, we faced the impossible situation of the Soviet veto in the Security Council and the delaying tactics of the Soviets in the General Assembly. By the time the 10th resolution had been passed, Hungary was dead, so far as freedom is concerned.

Mr. SPARKMAN. I am in complete agreement with the Senator from California. If the United Nations had a police force such as is contemplated, flexible in its use, it would not be necessary to wait for action by the Security Council or the General Assembly.

THE INFLATIONARY SPIRAL

Mr. BUSH. Mr. President, on July 15 there appeared in the Wall Street Journal a review of a book entitled "The Inflationary Spiral," by Chang Kia-ngau. This book recites the experience in China from 1939 through 1950. It shows how, step by step, the situation worsened.

It shows how the index of teachers' real salaries fell from 100 to 17, and that of civil servants slipped from 100 to 10 between the years 1937 and 1943. It shows how the market exchange rate on the Chinese dollar had fallen in 1946 to \$2,020 for \$1 United States, and how this slipped to \$8,683,000 Chinese dollars to \$1 United States by August 1948. These are terrifying figures, indeed.

Mr. Chang comments that the Nationalist Government seemed "curiously blind to the fact that, in the long run, economic health is a prerequisite of political power. It sought an easy way out of its financial difficulties only to court eventual disaster."

Mr. President, I am reading "The Inflationary Spiral" by Mr. Chang, and I believe the review of it by Mr. John F. Bridge which appeared in the Wall Street

Journal on July 15 may prompt other Senators to read this book. I venture to hope that in any case they will read the review which I ask unanimous consent to have printed in the RECORD following these remarks.

The PRESIDING OFFICER (Mr. MURRAY in the chair). Without objection, the review will be printed in the RECORD, as requested.

(See exhibit 1.)

Mr. BUSH. Mr. President, the Treasury has just issued a report for the fiscal year ended June 30, which shows an actual deficit of \$2.8 billion against surpluses in the two preceding years of approximately \$1.6 billion each. But now we face a probable deficit for fiscal year 1959 which may exceed \$12 billion. Indeed, we shall be fortunate if it does not exceed that figure; and unless the Congress changes its temper substantially, we shall face another large deficit in fiscal year 1960. One may fear as to whether Congress has not completely lost control of the budget.

Mr. President, it is too late this year for the Congress itself to undo the damage, or alleviate the terrible threat of inflation which is inherent in these enormous deficits, as well as in other forces not within the control of the Government, such as the wage-cost push. I venture the hope that when Members of Congress go home for the Congressional recess, they may find the temper of the people such as to make them determined to return here for the 86th Congress in a mood to recover control of this budget, and stop the terrifying trend toward inflation which threatens to have exceedingly damaging effects upon the economy, as well as the social life of this country.

I trust, too, that the Congress may be in a mood to consider an amendment to the Employment Act of 1946, which I introduced last August. The objective of my amendment has been strongly endorsed by Arthur F. Burns, former chairman of the President's Council of Economic Advisors, now associated with the Ford Foundation.

I ask unanimous consent that the text of the amendment to which I have referred and an excerpt from Dr. Burns' book, *Prosperity Without Inflation*, be printed following these remarks.

The PRESIDING OFFICER. Without objection, the amendment and excerpt will be printed in the RECORD, as requested.

(See exhibits 2 and 3.)

Mr. BUSH. Stability of prices and the integrity of wage values are of vital concern to all of the people in this country, and absolutely essential to fulfillment of the objectives of the Employment Act of 1946.

EXHIBIT 1

[From the Wall Street Journal of July 15, 1958]

INFLATION'S IMPACT ON A SOCIETY

The Chinese invented paper. The evidence is strong that they also invented paper money, for as early as the 11th century it made its appearance in China. It is not surprising, therefore, that having made those two inventions the Chinese discovered that great financial instrument of modern governments—inflation of the supply of paper

currency to cover the deficits they almost always run up.

But China has also provided an up-to-date lesson in what the ultimate outcome can be when just a wee bit of such inflation is undertaken for an apparently worthy purpose, when the habit of deficits and the printing press then become ingrained in officialdom, and when the inflation finally become uncontrolled.

The time was 1939-50. The results, among other things, were the collapse of the Nationalist government, the disintegration of the Chinese social structure, the triumph of the Communists—and, not so incidentally, the death of thousands of United States troops at the hands of the Chinese Red armies in Korea and rise of that Red power.

A CLOSE OBSERVER

Close to the events of 1930-50 was Chang Kia-ngau, now visiting professor of economics at Loyola University, Los Angeles. Deputy governor and governor of the Bank of China for almost 25 years, in 1935 he was pressed into the service of the Nationalist government and served in various cabinet posts through World War II. In 1947 and 1948, when the Chinese inflation was gathering its most ferocious momentum, he was governor of the Central Bank of China, and not a very happy one.

For Mr. Chang is an orthodox economist, an opponent of political control of a nation's currency and banking, and a foe of funny money of any kind. He got plenty of chances to develop these distastes in Nationalist China, and he has produced a remarkably clearly written book for such a complex subject: *The Inflationary Spiral, The Experience in China, 1939-50*.

The statistics on that economic debacle in its later stages are horrendous in themselves. Price rises and the decline of the Chinese dollar in relation to the United States dollar has been serious enough through the World War II years. By June 1946, the market exchange rate was \$2,020 (Chinese) to \$1 (U. S.). But by August 1948, the rate was \$8,683,000 (Chinese) to \$1 (U. S.).

As for wholesale prices, one index rose from 378.217 in June 1946, to 558,900,000 in August 1948. These fantastic rises occurred despite infusions of United States money, despite half-hearted attempts at currency reform, and despite strict wage-price controls.

Or perhaps because of them, a vigilant police system proved not vigilant enough to enforce the price controls. Shortages of goods rapidly appeared in regular markets while black markets flourished. Workers, near starvation, rioted and attacked rice stores. Industry, caught in the squeeze, demanded subsidies. So did workers and when they got the subsidies they found the price mechanism had already discounted them. By disrupting the supply of commodities, price control actually accentuated the problem the controls were designed to attack.

CRUSHED IN THE MIDDLE

And as so often happens in inflations, the middle classes in China suffered most. Salary adjustments persistently lagged behind wage adjustments. Mr. Chang's figures on this subject are not as complete as might be desired. But between 1937 and 1943 the index of teacher's real salaries fell from 100 to 17 and that of the civil servant from 100 to 10. Meanwhile the laborer had a decline from 100 to 74 and the Chungking industrial worker from 100 to 69.

But Mr. Chang's conclusion is clear. He writes:

"Since the number of educated persons and intellectuals is small in an underdeveloped country, as was the case in China, and since such persons are usually concentrated in government service, the teaching profession, and other occupations with relatively fixed income, one of the effects of inflation

is to deminish the real income of these key groups. This tends to produce disaffection in the very groups upon whose cooperation the success of government depends. Discontent among the articulate is bound to result in a vociferous display of antigovernment opinion, not infrequently exaggerating the scale of real grievances. Isolated from these elite groups, precisely at the time when there is the greatest need for efficient administration of its economic controls, government administration tends to become corrupt. Little wonder that the corrupting influence of inflation is compounded in underdeveloped countries. The experience of China has taught us this important lesson."

From that lesson, it is not very difficult to put a finger on the disaffection from established orders of students and intellectuals in Europe, Latin America—and even sometimes in the United States.

Mr. Chang addresses many of his remarks at the underdeveloped economy, but at the same time there are lessons there for the more mature ones. Certainly there are many parallels with what has happened in France and Italy and what may be happening in the United States.

In China, there was a great growth in aggregate national demand for goods under wartime conditions—including, in large part, defense requirements.

China was unable to increase its supply of goods to meet fully this demand, but at the same time was increasing its spending. However, it was unwilling to do the unpopular thing of increasing revenues by higher taxes, or to divert part of the inflationary pressure it was generating to savings by the public. Furthermore, it met its rising deficits by means of the currency printing press, making the inflationary spiral spin faster.

OUTWARD DISPLAY

"Not possessing the wisdom and courage to undertake unpopular measures," Mr. Chang writes, "the government could of course have reduced the scale of its spending. But it persisted in its refusal to take any effective step to trim expenditure and, overemphasizing the importance of prestige and outward military power, it underwrote political and military expenditures regardless of their economic consequences. It was curiously blind to the fact that in the long run economic health is a prerequisite of political power. It sought an easy way out of its financial difficulties, only to court eventual disaster."

So the Chinese Government sought to suppress the symptoms of inflation—soaring prices and wages. And as these actions further aggravated the inflation, the need arose for more and more direct intervention and control. When this also failed, the government increasingly resorted to such political means as propaganda barrages laden with both promises and threats. And when these failed, the last of the Nationalist prestige went with them.

Political domination of both the budget and banking system, as in China, is often apt to become a curse, the author notes, and Chairman William McChesney Martin of the Federal Reserve System would agree; he has fought attempted inroads by both Congress and the executive branch through much of his tenure. In China, the all-controlling leadership, "failing to understand the nature of the economic forces with which it dealt, chose to ignore them." Certainly there has been plenty of that in the United States in recent years.

Plainly, Mr. Chang has written a book that ought to find its way into the hands of legislators and administration officials. And if the new emphasis on hard education is to be extended to social science, it ought to be available to college students. Certainly there is meat to be found for any American

who is interested in why his own dollars buy less and less.

Mr. Chang says he delayed publication of his book for some time, fearing it would be considered a vindictive reproach of the Nationalists. That certainly is not the impression one gets from this economic analysis by an exiled ex-banker.

"My sole purpose," he writes, "is to ensure, so far as I am able, that the Chinese tragedy should at least have some beneficial effect on other nations which have been more fortunate thus far."

The lesson is there for all who will read.

—John F. Bridge.

EXHIBIT 2

Be it enacted, etc., That (a) section 2 of the Employment Act of 1946 is amended by adding at the end thereof a new paragraph as follows:

"The Congress further declares that the foregoing objectives must be attained, if they are to be meaningful, in an economy in which the cost of living is relatively stable. To this end the agencies and instrumentalities of the Federal Government must utilize all practicable and available means to combat inflationary pressures as they develop within the economy."

(b) Section 3 (a) of such act is amended by striking out "and (4)" and inserting in lieu thereof the following: "(4) current and foreseeable trends in price levels prevailing in the economy and the steps, if any, which have been taken to stabilize the cost of living and to combat inflationary pressures existing within the economy; and (5)."

(c) Section 4 (a) of such act is amended by inserting before the period at the end of the second sentence the following: "and in an economy of relatively stable prices."

EXHIBIT 3

(By Arthur F. Burns)

As we move to strengthen the Nation's defenses against depression, we should also move—and we could then do so with an enhanced basis for hope of achieving permanent results—to strengthen our defenses against the threat of creeping inflation. What we need more than anything else at this juncture of our great experiment in the management of prosperity is a national declaration of purpose with regard to the level of prices that could have a moral force such as the Employment Act already exercises with regard to our levels of production and employment. This can be simply accomplished by including reasonable stability of the consumer price level among the objectives of the Employment Act which "it is the continuing policy and responsibility of the Federal Government to use all practicable means" to promote. It has been said that such an amendment of the act is unnecessary, since it already covers the objective of general price stability by implication. I would agree to this interpretation of the law. Nevertheless, I believe that it would be a highly constructive step if the Congress stated explicitly what the act appears to some of its interpreters to state implicitly. One of the main factors in the inflation that we have had since the end of World War II is that many consumers, businessmen, and trade-union leaders expected prices to rise and, therefore, acted in ways that helped to bring about this result. A declaration by the Congress that it is the continuing policy of the Federal Government to promote reasonable stability of the consumer price level, as well as "maximum employment, production, and purchasing power," could go a considerable distance in dissipating the widespread belief that we are living in an age of inflation and that our Government, despite official assertions and even actions to the contrary, is likely to pursue an inflationary course over the long run.

It is sometimes argued that a mere declaration of purpose concerning the stability of the dollar would be futile in the absence of some specification of how this objective is to be realized. That is a possible result, but I am inclined toward greater optimism. The language of the Employment Act, as it stands, is extremely general. The act does not specify how the Government should "promote maximum employment, production, and purchasing power," beyond observing that it is to proceed "in a manner calculated to foster . . . free competitive enterprise and the general welfare." Yet the general language of the act has not led to inaction or frustration. On the contrary, it has in practice proved a source of strength, for it has allowed Government officials the utmost freedom in devising means to fit particular and unforeseeable circumstances. The force of the act derives entirely from its affirmation of basic policy, and this would continue to be true if the act were amended.

Broadening of the act, so as to include reasonable price stability among its objectives, would tend to make it a constant reference point for public and private actions that bear on the level of prices. One of the likely consequences of the suggested amendment would be a greater emphasis in the President's annual economic report on the outlook for prices and on how reasonable stability of the price level is to be sought. The reports of the Joint Economic Committee of the Congress would naturally move in a similar direction. Policies to promote stability of the price level would, therefore, tend to gain in prestige and to exercise increasing power over the thoughts and actions of both Government officials and private citizens.

I recognize, of course, that movements of the consumer price level and of the physical volume of economic activity may diverge for a time and that Government officials may occasionally be uncertain whether to give greater heed to the one or to the other. It is easy to exaggerate the trouble that this difficulty, which inheres in the economic process, will cause in practice. What Government officials do now is to shape economic policy in the light of emerging trends in production, employment, and prices, as well as the many factors that impinge on the movements of these magnitudes. They recognize the tendency of consumer prices to lag behind wholesale prices and industrial activity and they allow as they best can for this lag. They recognize that full employment in a practical sense is a zone rather than a point or line, and that the same must apply to a stable price level. They pursue policies that will help to maintain the employed percentage of the labor force as well as the consumer price level within a neighborhood that allows for minor movements in the one and the other. They do not seek perfection in terms of any single yardstick, but a good all-round performance. The suggested amendment of the Employment Act would change these attitudes and procedures only to the extent of leading to somewhat greater vigilance with respect to price developments.

If this proposed amendment had been in effect 5 years ago, I am morally certain that the measures that were taken to check the recession of 1953-54 would have been no less prompt or extensive. On the other hand, I believe that stronger anti-inflationary policies would have been adopted in 1955—which was the critical time to check the newly gathered forces of inflation. It is because I expect that the proposed amendment would strengthen efforts to deal with inflation, while it would in no way reduce zeal in checking recessions, that I regard the explicit inclusion of reasonable stability of the consumer price level among the objectives of the Employment Act as a wise and progressive step at this time.

WHY THE UNREST IN THE ARAB WORLD?

Mr. FLANDERS. Mr. President, on Friday, July 18, I submitted a concurrent resolution dealing with the Middle East situation. It is my intention to address the Senate in a series of short talks on the individual items of that resolution. Today I invite attention to the first "Whereas" which reads:

Whereas the people of the Arab nations are in a state of turmoil and discontent;

While I had intended to discuss the nature of that turmoil and discontent in my own words, I found in the New York Times of July 19, 1958, a column written by Mr. C. L. Sulzberger entitled "Lessons of Logic and Its Lack," which relieves me of the necessity for finding words of my own. Mr. Sulzberger says:

The only steady aspect of our Middle Eastern policy is confusion. During a decade that saw creation of Israel, Nasser's rise, the Suez war and a drumfire of coups and assassinations, the United States never managed to define its own fundamental attitudes. This observation applies to two American administrations. Our Levantine follies have been gloriously bipartisan.

Three dilemmas perplexed Washington from the start. We could not resolve our determination to sponsor Israel with our craving for Arab friendship. Therefore we wallowed in a trough of indecision. We found ourselves unable to reconcile prejudices against colonialism with a need to support our strongest ally, Britain. And we muddled our analysis of Arab nationalism by always regarding its development in rigid anti-Communist terms.

The consequences led to diplomatic chaos. We have ended up supporting outdated regimes and opposing history's trend. Of our principal friends concerned with the Middle East, Britain and Turkey are widely disliked because of imperialist memories; an equally detested France has been excluded from the area; Israel is hated and Iran is weak and uneasy.

Mr. President, the whole column is factual, and it is difficult, in view of the facts presented, to find any excuse for the past or hope for the future in this country's policy with relation to the Arab world.

In order that all Members of the Senate may have their attention drawn to these matters, I ask that the remainder of the article be included in the body of the RECORD.

There being no objection, the remainder of the article was ordered to be printed in the RECORD, as follows:

AGAINST THE TIDE

Today we find ourselves backing the Chameleons, the Saudis, and the Husseins against the tide of Arab renaissance. And, by our military interposition side by side with Britain, we have sacrificed those pretensions to moral grandeur we had claimed in the United Nations.

Our elementary aspirations are plain. We sought to keep Soviet influence out of the Middle East, to devise an alliance there for this purpose, and behind such a shield to pacify the area. These aims failed.

By creating the Baghdad Pact we alienated Egypt, most influential nation in the Arab world, and India, most powerful non-Communist state in Asia. Yet we never had sufficient faith in that same pact to join it ourselves.

We distributed arms instead of wisdom. Some of those arms have now been used to

assassinate our three best friends in Iraq. We backed Nasser. But we wouldn't give him all the weapons he demanded; so he turned to Russia.

THE SUEZ AFFAIR

Because we unnecessarily offended the Egyptian dictator we provoked him into seizing the Suez Canal Co. This event could have been foreseen in the cloudiest crystal ball. But we didn't have one single position paper prepared in advance.

When Britain and France, together with Israel, cooked up a war to defend vital interests similar to those we now help London protect, we scotched their plan. Thanks to us Nasser was rescued from disaster and built to hero's stature.

If our policy was correct in 1956 when we backed Cairo against Paris and London, it is incorrect today. And if our policy is now correct, in deciding to risk war for strategic grounds, it was incorrect 2 years ago. Anglo-American intervention comes at the wrong places, at the wrong time, for the wrong reasons. At least Eden and Mollet had reason on their side when they went for Suez.

WHY WE INTERVENED

We didn't fly troops to Lebanon because of a sudden turn in that country's operetta insurrection. Iraq is the explanation. And Jordan, again insured by Britain, isn't a nation at all. A mapmaker's dream, it was created by Churchill and T. E. Lawrence over brandy and cigars to pay a feudal debt.

Nasser was taking kindergarten lessons on Soviet imperialism from Tito when we landed in Lebanon. Just as he was becoming wary we drove him back to Khrushchev's arms.

The existing mishmash cannot possibly be stabilized where it now is. Having embarked on an audacious expedition, we have to follow through. One way or another a new and pro-Western government must be installed in Iraq and Nasser must be shrunk to size.

Otherwise, no matter how long Lebanon and Jordan totter along, they will fall between the jaws of a hostile Baghdad-Cairo nutcracker when our troops are withdrawn. If we can't aright the balance in Iraq and eventually in Egypt, some day we must ignominiously retreat. But in order to aright that balance, we may have to gamble on still more risky adventures than those begun this week.

Such is the logic of the situation. But logic has rarely featured our Middle Eastern policy.

Mr. MONRONEY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. MONRONEY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection it is so ordered.

ESTABLISHMENT OF INTERNATIONAL DEVELOPMENT ASSOCIATION

The PRESIDING OFFICER. Is there further morning business? If not, morning business is closed.

Without objection, the Chair lays before the Senate the unfinished business, which is Senate Resolution 264.

The Senate resumed the consideration of the resolution (S. Res. 264) favoring the establishment of an International Development Association in cooperation

with the International Bank for Reconstruction and Development, which had been reported from the Committee on Banking and Currency with an amendment to strike out all after "Resolved" and insert:

That, recognizing the desirability of promoting a greater degree of international development by means of multilateral loans based on sound economic principles, it is the sense of the Senate that prompt study should be given by the National Advisory Council on International Monetary and Financial Problems with respect to the establishment of an International Development Association, as an affiliate of the International Bank for Reconstruction and Development.

In order to achieve greater international trade, development, and economic well-being, such study should include consideration of the following objectives:

(1) Providing a source of long-term loans available at a reasonable rate of interest and repayable in local currencies, or partly in local currencies, to supplement International Bank lending activities and thereby permit the prompt completion of worthwhile development projects which could not otherwise go forward.

(2) Facilitating, in connection with such loans, the use of local and other foreign currencies, including those available to the United States through the sale of agricultural surpluses and through other programs.

(3) Insuring that funds for international economic development can be made available by a process which would encourage multilateral contributions for this purpose.

Mr. SPARKMAN. Mr. President, I ask unanimous consent that Dr. James A. Robinson, who is assigned to the staff of the Senate Committee on Banking and Currency, be permitted to be present in the Chamber during the debate on Senate Resolution 264.

The PRESIDING OFFICER. Without objection, permission is granted.

Mr. MONRONEY. Mr. President, Senate Resolution 264 presents the Senate with a simple but vital question: Should it direct a top-level study of the feasibility of establishing, as an affiliate of the World Bank, a new International Development Association to make loans to underdeveloped countries at more liberal terms than are now available?

This resolution expresses the sense of the Senate that such a study should be promptly undertaken by the National Advisory Council on International Monetary and Financial Problems. The Committee on Banking and Currency has favorably reported the resolution, with bipartisan support, and both the State and Treasury Departments have stated formally that they favor its adoption.

TIMELINESS OF SENATE RESOLUTION 264

Consideration of the resolution on the floor of the Senate comes at a time when events in the Arab world are demonstrating the inadequacy of our present programs to achieve stability and safety for newly independent nations. Americans are becoming increasingly convinced that sponsoring military buildup in an effort to discourage external attack, provides a hollow shell of strength, unable to withstand the mounting pressures from within these nations.

This pressure is being generated by what Adlai Stevenson called the revolution of rising expectations. Around the globe captive peoples are in revolt—in

revolt against the captivity of poverty, of social immobility, of disease, of national inferiority. These demands for an equitable share of the world's goods, and recognition as a significant force in the world's culture, constitute the basic reality of our age—more basic and more pervading than atoms, or sputniks, or political alliances.

America is the fountainhead of these aspirations. We, above all other nations of the world, should have nothing to fear from this revolution. We must, however, recognize that our safety, and the peace of the world, can be had only through the fulfillment of these aspirations, not through their frustration. It is our responsibility to take the lead in fashioning the instruments, the institutions, through which the hopes of the world's captive peoples may be realized, in an environment of self-respect and mutual help.

The programs of non-military economic aid conducted by the United States since World War II have been addressed to two separate problems: The economic reconstruction of industrial nations which were ravaged by the war; and the economic development of the agrarian countries of Asia, Latin America, and Africa for whom any appreciable industrialization remains a dream for the future. In each case, we had a political motive, in addition to the humanitarian and economic one—namely, to provide an alternative to the achievement of reconstruction or development by totalitarian methods.

Our efforts were focused first on the reconstruction of Europe under the Marshall plan. These were a brilliant success. More recently we have attempted to apply essentially the same methods in the underdeveloped areas. Here we are on the brink of tragic failure. Our problem remains the same: To provide an alternative to development by totalitarian methods; for they see industrialization as their road of escape from grinding poverty, and they see in the Soviet Union and China the most rapid industrialization of an agrarian economy that the world has known.

There is no need for me to dwell at length on the necessity for foreign capital to supplement the meager accumulation which is possible from the resources of these new nations. This is a problem which Americans can understand because it is one which we, too, faced as a young nation. Now we are the source of capital on which these nations must principally depend, for ours is the economy which is the source of half of the world's goods. We must develop a mechanism to provide the additional capital they require.

NEED FOR A PROGRAM

How have our efforts to meet this need failed? On today's economic frontiers the economic significance of the United States aid dollar has been obscured by its political symbolism.

New independence is independence of the most hypersensitive variety. Acceptance of unilateral foreign aid has been represented by extremist political groups within the underdeveloped countries as implying a political commitment

to support every position taken by the United States in its cold war with the Soviet Union. Such a commitment is often taken as a betrayal of the aspiration of independence of action common to these newly independent states. Thus that which is an economic necessity has become a political liability.

The other side of the same coin has been equally difficult. Our enemies charge our aid imposes an unacceptable obligation on the recipient. Our friends tend to assume that the obligation is on the giver, and that political support in the cold war entitles them as a matter of vested right to share in the bounty of our foreign aid program. The whole relationship militates against the easy friendship of equals.

The next development was of course inevitable—a competitive Soviet aid program, with the more cynical uncommitted countries happily encouraging the bidding.

In other words, they pit the West against the East in bargaining for aid at special prices, on special terms, or for special commitments. The danger here is that a competitive situation will develop, in which aid will become merely a football in the power struggle between the East and the West.

I believe a conviction is growing in Congress that our economic-aid programs have sometimes produced not friendship and confidence, but rather increased animosity and distrust. While most of us here might agree that popularity was not our primary objective, many Americans have serious doubts as to the success of foreign aid.

There is also a growing conviction that other nations, many of which were restored to economic health by our earlier Marshall plan, should begin to bear an increased portion of the common burden and responsibility for the progress of underdeveloped areas.

It was in this general environment that the evolution of our assistance to underdeveloped countries began last year with the creation of the Development Loan Fund. This marked the transition from grants to loans. Moreover, it marked a shift away from the "country program" approach to economic assistance, and toward the project developed by the country itself.

Certainly the Development Loan Fund is an improvement, but it is not a final solution to the basic problems which afflict our economic development programs. I submit that the final solution of the problems requires that we provide economic assistance to underdeveloped areas through an international economic institution.

The resolution before the Senate calls for a study with respect to the establishment of such an institution. It proposes that such study include consideration of the following objectives:

First. Providing a source of long-term loans available at a reasonable rate of interest and repayable in local currencies—or partly in local currencies—to supplement International Bank lending activities and thereby permit the prompt completion of worthwhile development projects which could not otherwise go forward.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. MONRONEY. I am happy to yield to the Senator from Pennsylvania, who is a valuable member of the Committee on Banking and Currency, and one of the cosponsors of the resolution.

Mr. CLARK. I commend the Senator from Oklahoma for the energy and zeal with which he has advanced this most worthwhile project, particularly because of the great skill with which he discussed the question with members of the administration, and for the painstaking, long hours of consultation which he had with the administration, both in the Treasury and the State Department; all this being evidenced by the appendix to the committee report, which includes letters from Under Secretary of State Douglas Dillon and Acting Secretary of the Treasury Julian B. Baird, expressing their strong support of the resolution.

When it is realized that the Senator from Oklahoma is on the other side of the aisle so to speak, from the political philosophy of the State Department and the Treasury Department, I think it will be understood that it was a great feat of diplomacy for the Senator from Oklahoma to come to an agreement with those who are presently charged with administering not only our foreign policy, but also our financial policy, and to enlist for this resolution the support of the Eisenhower administration.

I was particularly interested to interject at this point in the splendid speech which the Senator is making, because of his reference to the Development Loan Fund. I, too, have supported the Development Loan Fund. But I ask the Senator from Oklahoma whether he does not feel that if the Development Loan Fund could be converted into a multilateral arrangement, rather exist as a unilateral arrangement, the burdens which the United States itself would have to carry would be decreased.

Mr. MONRONEY. I thank the distinguished Senator from Pennsylvania for the very generous compliment he has paid to the speaker.

I think the acceptance by the administration, through Under Secretary of State for Economic Affairs Douglas Dillon and through the Acting Secretary of the Treasury, speaking for the Secretary of the Treasury, Robert Anderson, is due more to the merits of the program rather than any persuasiveness on my part. They were very much interested in the program. At the beginning, they feared perhaps we were proposing to move too fast, without sufficient study.

To answer the Senator's question, I think the administration recognized that the international lending of funds to underdeveloped countries is a better means of meeting their needs than by the making of bilateral loans from our own Development Loan Fund.

Furthermore, the mechanism envisaged by the resolution which is being considered today envisions a rotating fund, of both hard and soft currencies. Loans will be made and repaid. In the Development Loan Fund, so far, there is little prospect of repayment in currencies which can then be reloaned. We lend hard dollars; we will get back soft

currency. We have no revolving fund of hard currencies which can be reloaned, as any bank should have.

Furthermore, there is an implication that a bilateral loan entails a certain loss of sovereignty by the newly independent nations. No matter how pure our motives, no matter how we try to clarify our position that our aid extended to new nations, fresh from colonialism, is based on their need for the projects being financed, political elements in those countries or Soviet propaganda will attack the program and say we are trying to make satellites out of those to whom we lend. We will have to realize that the borrowing governments will be on the target and will be blamed by their opponents for loss of sovereignty.

Mr. CLARK. I know the Senator from Oklahoma has discussed this subject at considerable length with officials of the World Bank, and, in particular, with Mr. Eugene Black, the extremely able and competent American who heads that financial institution.

I do not know whether the Senator from Oklahoma is in a position to state on the floor of the Senate the attitude of the world bank officials on this proposal.

Mr. MONRONEY. I do not violate any confidence when I say that although Mr. Black was unable to appear formally at our hearing, in his official capacity, informal conversations have been held between him and Members of the Senate which have indicated that he personally believes this is a project worthy of most serious study and most serious consideration.

Mr. CLARK. And, of course, the resolution does no more than that.

Mr. MONRONEY. I think it can be said that the resolution does a little more than that. It expresses the sense of the Senate that a new mechanism is needed for our development program—one of long range—in which we shall bear only a part of the responsibility and the direction. In other words, it is proposed that we shift gears from a unilateral to a multilateral international organization, an affiliate of the World Bank, to enable the World Bank to do its job better by making loans available to the independent countries which so badly need long-range financing.

Mr. CLARK. I note that certain individual views have been printed at the conclusion of the committee report on the resolution. In that connection let me refer to page 9, where we find the individual views of two of our distinguished colleagues who oppose the resolution. They make a summary of existing loan programs, from which they conclude that there is no need for the proposed IDA.

I wonder whether my friend will agree that the point he has been stressing; namely, the need to have an international organization which can make development loans, in part, at least, in local currencies, is acute, in and of itself, and that it, by itself, is sufficient to demonstrate the need for the adoption of the resolution.

Mr. MONRONEY. I agree completely. We have no such international mecha-

nism, except the World Bank. It must make bankable loans, repayable in from 20 to 25 years, at about 5¼ percent interest, in dollars or other hard currency. Many of the nations which need development loans the worst cannot qualify for World Bank loans large enough to meet their full requirements. But by means of an International Development Association, which might make supplemental loans for longer periods, they will be able to qualify for additional loans through the World Bank.

Mr. CLARK. I think it would be helpful for the Senator from Oklahoma to state why the International Finance Corporation, a subsidiary of the World Bank, cannot do the same job that we hope the International Development Association will be organized to do.

Mr. MONRONEY. The International Finance Corporation deals exclusively in capital for private enterprises—mostly convertible debentures, a form of equity capital.

But the needs of the underdeveloped countries often relate to transportation, water supplies, and many other utility facilities for which no private financing is available.

Therefore, the International Finance Corporation is not sufficient. It is a desirable organization, because it makes equity capital available for private enterprise; and all of us favor that. But it is not enough, and does not reach the problems on which we need to place emphasis by enabling the independent nations to achieve modern industrialization and development.

Mr. CLARK. I believe it would be helpful if the Senator from Oklahoma would explain briefly that this plan is not a Johnny-come-lately idea of his own, but relates to a problem which has become increasingly critical in international affairs and international finance, and has been under consideration for at least the past several years by many of the best minds in that field. So I think it would be advisable to have it clearly understood that the resolution does not relate to a new or radical idea, but merely gives cohesive form to a means of meeting a need which is recognized by many of the experts in this field.

Mr. MONRONEY. I certainly agree. It is an unfilled need which has been studied for a long time. Personally, I have worked on the problem for more than 2 years. We have found ways in which we believe the job can be done better—for instance, by making the Association an affiliate of the World Bank, so as better to utilize that great institution, which has made an outstanding record.

We do not wish to weaken the character of the World Bank, by providing that its loans shall be made on easier terms. Because of the character of its loans, the World Bank has been able to get private funds in the world market. If the World Bank were required to make loans for longer terms, or softer loans, it would no longer be able to sell its bonds on the market.

The proposed new organization might have \$1 billion in hard currency lending capital; and by having it make supple-

mental loans for a percentage of the total need, and at longer terms, many more development projects will be able to qualify for loans from the World Bank.

I thank the Senator from Pennsylvania very much for his illuminating questions and for the opportunity to discuss this matter with him.

Mr. AIKEN. Mr. President, will the Senator from Oklahoma yield to me?

The PRESIDING OFFICER (Mr. MURRAY in the chair). Does the Senator from Oklahoma yield to the Senator from Vermont?

Mr. MONRONEY. I am glad to yield.

Mr. AIKEN. I understand that one of the purposes of the proposed establishment of the International Development Association is to free the United States from the charge—which sometimes is leveled at our country—that it is paternalistic in making the so-called soft loans to poorer countries, or is attempting to obtain control over their affairs, economic or political. I realize that such a charge is at times made against the United States. I hope it is never justified.

Mr. MONRONEY. It is not justified. But all of us know that such a charge is a favorite propaganda device of the Communists and those who are opposed to the regimes we help.

Mr. AIKEN. Can the Senator from Oklahoma indicate what other lending nations are interested in the establishment of the proposed International Development Association, and whether they are embarking on similar studies, either for themselves, or whether they would cooperate with the United States in making such studies?

Mr. MONRONEY. In the first place, let me say that unless all the members of the World Bank—including ourselves—decided they wanted to put up hard currency for the capital stock of the Association, nothing would come of the resolution. If subscriptions followed the pattern of the World Bank, the United States would provide approximately \$345 million of a \$1 billion capitalization. The ownership of the stock of the Association would be distributed in the same way that the stock of the World Bank is distributed among the 67 nations which today are members of the World Bank. So, under this proposal, they would share in carrying the load.

Mr. AIKEN. So it is proposed, by means of the resolution, to have the United States make the study, and then submit, if feasible, recommendations to the other members of the World Bank. Is that correct?

Mr. MONRONEY. That is correct. Let me say—and later in my remarks I shall cover this point more specifically—that other nations have already manifested interest in the establishment of an international mechanism by which they can participate in the making of loans of a type which will help the underdeveloped areas.

Mr. AIKEN. For several years there has been before various Congressional committees a proposal known as SUNFED, for the purpose of assisting underdeveloped countries establish public utilities and meet other essential needs

which must be met if those countries are to develop and grow and enjoy a higher standard of living.

Is it the belief or the expectation of the Senator from Oklahoma that the proposed International Development Association would differ materially from the SUNFED proposal which the Congressional committees have been considering during recent years?

Mr. MONRONEY. Yes. The International Development Association would be a bank. We would expect its loans to be repaid. They would be made on that expectation, and would be based on the ability to repay, although the terms of the loans might be lengthened and the interest rate charged might be reduced. The institution contemplated by the resolution would be a sound banking institution. SUNFED is a type of operation in which, I would say, the borrowers run the bank. In this case the stockholders would run the bank. That is the fundamental difference. I believe the IDA has an opportunity for continuing success because the funds would revolve. The money paid in would be loaned for projects which would be self-liquidating, on terms which would guarantee security, since the establishment of international credit on the part of the borrowing country would be the primary requirement for its borrowing.

Mr. AIKEN. I thank the Senator for his explanation. I thought it was necessary to have in the RECORD, the distinction between the present proposal and the one we have been considering in recent years, so there would not be confusion and possibly the charge that we are proposing to set up another giveaway program.

Mr. MONRONEY. I thank the Senator. It is my understanding that we, as a country, have never endorsed SUNFED in the United Nations. We realize its deficiencies. We also realize that most of the money would be put up by the United States, and that the United States would have merely one vote as one member among a large number of members. That bank would be operated by the borrowers instead of by those who provide the capital. However, we stand in a poor position before the world if we oppose SUNFED, unless we offer something in its place so that loans may be placed within the reach of nations which have recently become independent.

Mr. AIKEN. The Senator has made a very good explanation of the difference between the two organizations. The loans under the International Development Association are expected to be repaid over a long period of time.

Mr. MONRONEY. That is true.

Mr. AIKEN. With respect to loans which would be made under SUNFED, there would be little expectation of repayment. Is that correct?

Mr. MONRONEY. That is correct, and little expectation of having a revolving fund from which the repayments could be reloaned, which is the secret of successful banking.

Mr. BUSH. Mr. President, will the Senator yield?

Mr. MONRONEY. I yield to the Senator from Connecticut, who has done so much to make it possible to bring the proposal before the Senate, and who has been of such assistance in obtaining information from those who have great knowledge in the field of international finance. I am very grateful to him for the great service he has rendered.

Mr. BUSH. I thank the distinguished Senator for his comments.

I wonder if the Senator would object to my asking unanimous consent, first, that the letter signed by Douglas Dillon, Deputy Under Secretary of State, and one signed by Julian B. Baird, Acting Secretary of the Treasury, which appear in the appendix of the report, be printed in the RECORD at this point.

Mr. MONRONEY. I think that would be a very fine addition to the discussion, because the letters show the support this idea has within the administration.

The PRESIDING OFFICER. Without objection, it is so ordered.

(The letters appear later in the RECORD.)

Mr. BUSH. The distinguished Senator raised a question about the views of Mr. Eugene Black, a distinguished American, and President of the World Bank. We know what his views are, because we spent an evening with him in discussion of them. I did go to his home and talk with him two nights ago, realizing the resolution would come up in the Senate soon, and asked him if he would write a letter in response to an inquiry from me with regard to the resolution. He said if I addressed such a letter to him, he would do so. His response is on the way to me now.

Mr. President, I ask unanimous consent that the letter from the President of the World Bank addressed to me on this subject be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

(The letter appears later in the RECORD.)

Mr. MONRONEY. I thank the Senator for his foresight in having the material.

Mr. CAPEHART. Mr. President, may I see the letter?

Mr. BUSH. I do not have it here. It is on its way. If the Senator objects, I will withhold my request.

Mr. MONRONEY. If the Senator from Connecticut would find it possible to be present on the floor and read the letter to the Senate, I think it would be most helpful. We have tried to respect Mr. Black's international position by not asking him to appear before a Congressional committee. However, he is the person who is most experienced in this field. I think he realizes to a greater degree than anyone else what this implementation of the World Bank's activities will mean.

Mr. BUSH. I can assure the Senator I shall have the letter here within a half hour and shall read it into the RECORD. I thought this would be an appropriate place in the RECORD to have the letter appear, in view of the previous colloquy, so it might follow the letters which I asked unanimous consent to have printed in the RECORD.

Mr. CAPEHART. Mr. President, will the Senator permit me to make a comment on the Black letter?

Mr. MONRONEY. I shall be glad to yield, or to ask my colleague to yield, so the Senator may make a comment about the letter.

Mr. BUSH. If the Senator wants simply to comment on the Black letter, I shall yield to him for that purpose.

Mr. MONRONEY. I intend to continue to yield to the Senator from Connecticut.

Mr. CAPEHART. My reason for asking about the Black letter is that Mr. Black has taken the position consistently that no committee of the United States Congress has the right to call him before the Congress for an explanation of anything that has to do with the World Bank or the International Monetary Fund.

He has refused to appear as a witness before the Senate Banking and Currency Committee. He takes the position that the Congress of the United States has absolutely nothing to do with the Bank's operations and that he ought not to be asked to appear. I do not know why, if he cannot appear as a witness before the Banking and Currency Committee, he is so desirous of writing a letter which is to be inserted in the RECORD. I am not so sure he wants to have that letter put in the RECORD, because he has constantly and continuously taken the position that he will not appear before a Congressional committee and should not be requested to do so.

I have always taken the position he should. I do not know why we should be a stockholder in the International Bank or the International Monetary Fund, put billions of dollars into it—to which I am not opposed—and yet be unable to question the Director or an officer of that Bank. It has never been quite clear to me why we should not have the right to do it. I know what Mr. Black says. He says that if he comes before a committee of the United States Congress, then he will have to go before the other parliaments of the world. I do not see anything wrong with that, because, in our democracy and under our corporation laws, minority stockholders have rights. I do not know why the stockholders of the Monetary Fund, the United States being the largest stockholder, have not as much right as have common stockholders in a United States corporation.

I wanted the RECORD to show that Mr. Black has consistently refused to appear before Congress. He would not even testify on this proposed legislation. Therefore, what we get concerning Mr. Black is hearsay. There is no record of it, unless it be in this letter. I think he has been very unfair to the Congress of the United States in his refusal to appear. We ought to have a right to cross-examine Mr. Black. He ought to be required to come before a committee of the United States Congress, in my opinion. Yet he has consistently refused to do so, so that we who are opposed to this proposed legislation cannot ask him questions. Yet

those who are for the proposed legislation wish now to use Mr. Black's testimony in the form of a letter. I have no objection to that, except I want the RECORD to show I am opposed to the position taken.

Mr. BUSH. Mr. President, I am glad the Senator has no objection to it. I should like to observe that Mr. Black has been entirely consistent in his position that he does not wish to appear before committees of Congress as a witness.

On the other hand, so far as this particular resolution is concerned, Mr. Black expressed a willingness to sit down with the members of the committee. A meeting was arranged for that purpose, and Mr. Black did sit down with us for an evening. Unfortunately the Senator from Indiana was unable to be present that evening. We spent 4 hours with Mr. Black and got a good deal of information from him on the subject of the resolution. Mr. Black did a great deal at that time to compromise differences of view about the language of the resolution. From that evening's talk and subsequent interviews and testimony, largely in hearings conducted by the distinguished Senator from Oklahoma, the language of the resolution has emerged.

I defend heartily Mr. Black's position that he cannot appear before committees of the Congress without committing himself as President of the International Bank for Reconstruction and Development to appear before the committees of the parliamentary bodies of all the other countries which are members of the bank. I do not see how Mr. Black could expose himself to all that work.

Mr. CAPEHART. Mr. President, will the Senator yield?

Mr. BUSH. Mr. Black could not do so without compromising his time to such an extent that he would not be able to attend to his business.

Mr. CAPEHART. Mr. President, will the Senator yield?

Mr. BUSH. I will yield in a moment. In this particular case I did see Mr. Black this week. The resolution is before the Senate. The resolution is on the calendar. I said, "Would you be willing to write me a letter in answer to my inquiry, giving your opinion about this particular resolution?" And to that statement Mr. Black replied, "Yes. If you will ask me in writing for such a letter I will be glad to send it to you."

I now yield to the Senator from Indiana.

Mr. CAPEHART. I do not know why Mr. Black takes the position that every Member of the United States Senate and every member of the Committee on Banking and Currency ought not to be able to ask him questions, of which a public record is made. I do not like secret meetings.

Mr. BUSH. There was not any secret meeting.

Mr. CAPEHART. If Mr. Black cannot appear before the United States Congress and tell about the operations of the International Bank for Reconstruction and Development, why should he appear before a handful of Senators or a small group of Senators? Why should he be trying to influence the United States Congress as a lobbyist, instead of

doing so by appearing before the regular, duly appointed committees to testify, which would permit us to cross-examine him about the operations of the International Bank for Reconstruction and Development.

Mr. BUSH. The Senator apparently sees no difference between asking Mr. Black a specific question about a specific resolution which is before the Senate, which relates to the operations of his bank, and, on the contrary, asking him to appear before committees of the Congress.

If Mr. Black were to expose himself to appear before committees of the Congress, he might well be called before the Committee on Foreign Relations of the Senate, the Committee on Banking and Currency of the Senate, and the similar committees in the House of Representatives, as well as I do not know how many other committees in the legislative assemblies of the 67 other member countries.

Mr. CAPEHART. What would be wrong with that?

Mr. BUSH. Mr. Black simply does not have the time to do that.

Mr. CAPEHART. He could send somebody to do it.

Mr. BUSH. That is a very different thing.

Mr. CAPEHART. It appears that we are to be asked to place billions and billions of dollars—and I am not opposed to it—in an International Bank for Reconstruction and Development, while at the same time the Congress of the United States is not to have the right to question the directors of the organization, or the manager? The manager, as has been stated, has met with a half dozen or a dozen Senators and given his opinion, but now the Senator is saying Mr. Black has written a letter, which is going to be put into the RECORD, although none of us will have an opportunity to cross-examine him as to the contents of the letter. What kind of democracy are we talking about?

Mr. BUSH. I think we are talking about a very good democracy, Mr. President. To say that nobody had a chance to question Mr. Black is not quite in accord with the facts, because the Senator was invited to be present the evening of the conversation. Unfortunately, the Senator could not be there.

Mr. CAPEHART. Are we going to start running the Government by holding meetings in a basement, or a cellar, or a living room?

Mr. BUSH. No.

Mr. CAPEHART. Are these people going to tell us what to do in the Congress of the United States?

Mr. BUSH. Mr. President—

Mr. CAPEHART. Is that the kind of government we want?

Mr. DOUGLAS. Mr. President, will the Senator yield to me for a minute?

Mr. MONRONEY. I yield to the Senator from Illinois.

Mr. DOUGLAS. I hope the discussion will not become bogged down into an issue of whether we should try to summon Mr. Black before the Senate Committee on Banking and Currency. The Senator from Connecticut made an observation which I think is very important.

There are some 67 other countries which are stockholders in and members of the International Bank for Reconstruction and Development. If we as one member assert the right to summon Mr. Black before committees of the Congress, what is to prevent the British Parliament, the French National Assembly, the West German Congress, the Turkish Congress, the Ghana Congress, and so on, from similarly summoning Mr. Black to appear? Our good friend from Indiana seems to forget that we are discussing a World Bank, not a United States bank, even though we are the majority stockholder.

Mr. CAPEHART. Mr. President, if the Senator will yield, I am taking the position that the Turks have a right to do so, and that Mr. Black ought to appear before the parliaments or congresses of any countries which are stockholders in the International Bank for Reconstruction and Development, to permit them to ask him questions, as the manager of their money and of their corporation.

Mr. DOUGLAS. As my good friend from Indiana well knows, some of these countries borrow more than their assets in the bank. Therefore, Mr. Black would have borrowers summoning the head of the bank and putting him on the "hot spot" before committees of their parliaments to ask why he did not increase loans to them.

In my judgment Mr. Black and the Senator from Connecticut are completely correct. I am sure upon mature consideration the Senator from Indiana will drop this subject and allow us to proceed with consideration of the real issue.

Mr. CAPEHART. Mr. President, does the Senator not know that we are being asked to establish another lending agency under the International Bank for Reconstruction and Development, which is likewise going to be loaning money to the same people who now receive loans from the International Bank for Reconstruction and Development?

Mr. MONRONEY. If the Senator will permit me to make an interjection, before he proceeds further, I should like to say to my distinguished colleague, who has helped to focus the issue by questions in the committee hearings, that Mr. Black reports to the board of directors. The United States is represented by a member on the board of directors, as it should be. The Government of England is represented by its member on the board of directors. The governments of the countries of Latin America are represented by their members of the board of directors. That is the proper way for a bank president to report. The bank president should be under the control and supervision of, and subject to the interrogation of, his own board of directors.

Mr. CAPEHART. Mr. President, I bring the subject up only because the Senator intends to use Mr. Black as a witness. The Senator is going to have printed in the RECORD a letter from Mr. Black, in which I presume Mr. Black endorses the proposal; I do not know. The Senator intends to use a letter from Mr. Black to influence the Congress of the United States, as a result of a meeting with him, as the Senator says. I

have no objection to that at all, except that I do not think it is a good way to run a railroad. I do not think it is a good way to operate. I think every member of the Committee on Banking and Currency ought to have a chance to question Mr. Black, and that Mr. Black ought to appear before the committee of the Congress, as he ought to appear before the congresses of every one of the members of the International Bank for Reconstruction and Development.

Mr. BUSH. Mr. President, if the Senator will permit, I will say that every member of the Committee on Banking and Currency did have an opportunity to meet with Mr. Black and discuss the matter.

Mr. CAPEHART. But that was not an official meeting. Nobody was there to take down what was said.

Mr. DOUGLAS. Does the Senator want to put Mr. Black under oath?

Mr. CAPEHART. It was a meeting in somebody's living room. I am not in favor of running the United States Government by having meetings in somebody's living room. I want to have the meetings in the committee rooms of the United States Congress.

Mr. BUSH. Mr. President, I think the Senator from Indiana has made his position very clear. I understand his position. All I can say is that I think it was very gracious of Mr. Black to meet informally with the committee, so that the committee members would have the benefit of his views and observations about the resolution. I am sure the resolution is in better shape and very much more acceptable shape, as a result of that informal meeting, than otherwise would have been the case.

If the Senator from Oklahoma will indulge me, I ask unanimous consent to withdraw my previous request. I shall read into the Record the letter from Mr. Black, which I hold in my hand. It reads as follows:

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT,
Washington, D. C., July 22, 1958.

Hon. PRESCOTT BUSH,
United States Senate,
Washington, D. C.

MY DEAR SENATOR BUSH: I am writing in response to your letter of July 21 in which you have asked my opinion with respect to Senate Resolution 264. This resolution, if enacted, would express the sense of the Senate that prompt study should be given by the National Advisory Council on International Monetary and Financial Problems to the establishment of an International Development Association as an affiliate of the World Bank.

I have frequently expressed the opinion that in a number of countries a reasonable rate of development would require additional capital beyond what is available on a hard loan or bankable basis. And I have also long held the view that international administration of development financing, if organized on a sensible economic and non-political basis, has a number of advantages over bilateral national administration.

The concept underlying the proposed International Development Association, as I understand it, is consistent with these views. Accordingly, although the establishment of such an affiliate of the bank would involve a great many complex problems which need to be carefully considered, I believe that the

proposed study of the idea by the National Advisory Council would be a constructive step.

You will understand, I am sure, that the opinion I have expressed is a personal one and does not necessarily represent the views of the executive directors of the bank.

Sincerely yours,

EUGENE R. BLACK.

I thank the Senator from Oklahoma for permitting me to place that letter in the RECORD.

Mr. MONRONEY. Would the Senator amend his request to provide that the letters from the Treasury and State Departments be moved forward in the RECORD, so as to appear at this point?

Mr. BUSH. Mr. President, I ask unanimous consent that that may be done, and that appendix B of the committee report may also be included.

There being no objection, the letters and appendix were ordered to be printed in the RECORD, as follows:

DEPARTMENT OF STATE,
Washington, May 20, 1958.

Hon. A. S. MIKE MONRONEY,
United States Senate,
Washington, D. C.

DEAR SENATOR MONRONEY: Thank you for your letter of May 8, enclosing for our comment the committee print of a revised version of Senate Resolution 264, relating to the proposal for an International Development Association.

I believe that it would be desirable to make a few changes in the text of the committee print in order to clarify the nature of the study called for and to specify the agency which would conduct the study. A suggested revision of the proposed resolution along these lines is enclosed for your consideration (see appendix B). With these changes the Department of State would favor its enactment.

Sincerely,

DOUGLAS DILLON.

[Enclosure.]

TREASURY DEPARTMENT,
Washington, May 21, 1958.

Hon. A. S. MIKE MONRONEY,
United States Senate,
Washington, D. C.

DEAR SENATOR MIKE MONRONEY: In response to your letter of May 8, we believe it would be desirable to make a few changes in the text of the committee print of Senate Resolution 264, relating to the proposed International Development Association. A suggested revision is enclosed for your consideration (see appendix B). The changes are intended to clarify the nature of the study proposed in the resolution and to specify the agency to make the study. The Treasury Department would favor the adoption of the resolution with these changes.

We appreciate your affording us an opportunity to comment on the resolution.

Sincerely,

JULIAN B. BAIRD,
Acting Secretary of the Treasury.

[Enclosure.]

APPENDIX B

SENATE RESOLUTION 264, AS REVISED AND
APPROVED BY DEPARTMENTS OF STATE AND
TREASURY

RESOLUTION

Resolved, That, recognizing the desirability of promoting a greater degree of international development by means of multilateral loans based on sound economic principles, it is the sense of the Senate that prompt study should be given by the National Advisory Council on International Monetary and Financial Problems with respect to the establishment of an International Development

Association, as an affiliate of the International Bank for Reconstruction and Development.

In order to achieve greater international trade, development, and economic well-being, such study should include consideration of the following objectives:

(1) Providing a source of long-term loans available at a reasonable rate of interest and repayable in local currencies (or partly in local currencies) to supplement International Bank lending activities and thereby permit the prompt completion of worthwhile development projects which could not otherwise go forward.

(2) Facilitating, in connection with such loans, the use of local and other foreign currencies, including those available to the United States through the sale of agricultural surpluses and through other programs.

(3) Insuring that funds for international economic development can be made available by a process which would encourage multilateral contributions for this purpose.

(NOTE.—This language, which modifies previous committee drafts, was accepted by the committee after inserting the language enclosed in parentheses.)

Mr. BUSH. Mr. President, will the Senator indulge me a moment or two more?

Mr. MONRONEY. I am very happy to do so. The distinguished Senator is making the best case for the resolution that has been made. We deeply appreciate his keen interest and help.

Mr. BUSH. I should like to emphasize what the resolution does. It expresses the sense of the Senate that prompt study should be given by the National Advisory Council on International Monetary and Financial Problems with respect to the establishment of an International Development Association, as an affiliate of the International Bank for Reconstruction and Development. That is all the resolution does. I offer that comment in connection with a comment in the minority views, which my distinguished friends, the Senator from Indiana [Mr. CAPEHART], and the Senator from Ohio [Mr. BRICKER] presented. They said:

How can the Members of the Senate be asked to go on record as favoring this resolution without knowing exactly what is contemplated?

I submit that we do know exactly what is contemplated, and everything that is contemplated. We know that a study is to be made of this particular subject. That is all that is contemplated at this time, but that is a good deal.

The individual views also state:

Last year the Congress also established a Development Loan Fund in the International Cooperation Administration and appropriated \$300 million for its use. The Development Loan Fund is designed to supplement the Export-Import Bank and the International Bank by making long-term, low-interest-rate loans to underdeveloped countries, repayable partly in soft currencies. The administration this year has requested an additional \$625 million for its operation. Again, the proposed IDA would duplicate an existing program that is just now getting under way.

I ask my distinguished friend from Oklahoma if it is not true that we hope, if it is found practicable to organize the IDA as an affiliate of the World Bank, that it might have the very desirable effect of doing away with some of the

bilateral programs, or with this particular bilateral program, and might also have a beneficial effect in reducing the amount of economic aid which the United States feels obliged to extend at the present time, as it has in recent years. Does not the Senator agree that that is one of the objectives of this particular association?

Mr. MONRONEY. The Senator is exactly correct; and if the proposed association is found to be feasible, if it works as many of us who have studied the subject feel it could work, we would no longer need to appropriate huge sums to a unilateral development loan fund. It would no longer be insisted that the United States carry the full load. If foreign aid is good, if development of other nations is desirable for the world in which we live, and for free people, let us share the responsibility with others by investing in this type of international institution.

Mr. BUSH. I should like to raise another point with the Senator. I invite attention to the language on page 3, line 3, of the resolution as follows:

In order to achieve greater international trade, development, and economic well-being, such study should include consideration of the following objectives:

Skipping to line 12—

(2) Facilitating, in connection with such loans, the use of local and other foreign currencies, including those available to the United States through the sale of agricultural surpluses and through other programs.

It seems to me that if we could find additional uses which the United States could make of the funds available to it through the sale of agricultural surpluses, this would be a very constructive step forward for the United States.

I also observe, in that connection, that the so-called soft currencies which are involved in the Senator's plan are real money to many people. That is all the people have to use for money in some countries. It seems to me that if a study showed that such soft currencies could be used in connection with a development loan fund of this kind, that would be a highly constructive step forward. I do not know whether that can be done or not. I am not sure. But I do believe that the importance of determining that it might be done is so great that the Senate should not withhold its consent for the making of a study, as proposed in the Senator's resolution.

I thank the Senator for yielding to me. Mr. MONRONEY. I appreciate the very great effort the Senator has made, and his very able presentation.

Mr. SPARKMAN. Mr. President, will the Senator yield?

Mr. MONRONEY. I am happy to yield to the distinguished Senator from Alabama, a cosponsor of the resolution and a member of both the Committees on Banking and Currency and on Foreign Relations. He has been extremely helpful and encouraging in this matter.

Mr. SPARKMAN. I appreciate the Senator's remark. First of all I wish to commend and compliment the distinguished Senator from Oklahoma, not only for sponsoring the resolution, but

also for staying behind it until the resolution was reported by the Committee on Banking and Currency and came under discussion on the floor of the Senate today.

Is it not correct to say that the purpose of the pending resolution is to provide for a study of the feasibility of bringing into use, as the Senator has so well outlined, the foreign currencies or local currencies, or, as they are sometimes referred to, soft currencies, in order to make it possible to put those currencies to use?

Mr. MONRONEY. That is one of the purposes of the resolution. It contemplates more than a mere nominal study.

Mr. SPARKMAN. I realize that.

Mr. MONRONEY. Congress itself has studied the subject to a degree. We now believe it should receive a final, careful consideration by a high-level study council within our Government.

Mr. SPARKMAN. By persons who have had experience in the field.

Mr. MONRONEY. Yes; those who have the best knowledge and ability in this field in the United States. If it is proved feasible, their imprimatur on the report will carry great weight in encouraging discussion of the subject with other nations and the establishment of the organization.

Mr. SPARKMAN. Does not the Senator believe that the proposed organized effort, if we become active in it, might very well help to create better relations for our country with many of the countries who are looking for means to develop their own natural resources?

Mr. MONRONEY. I am very glad the distinguished Senator has mentioned that point. Since the proposal was made and publicity given to it several months ago, representatives of the Governments of India, Thailand, Turkey, and of other friendly nations have told us of their great interest in the subject. They have expressed deep interest in a mechanism by which nations needing help will no longer be accused of coming as supplicants, but can submit feasible projects and obtain credit under banking terms and procedures. We are trying to establish international credit as a means of helping the countries in the great task of financing economic development.

Although it is not completely comparable, I call the Senator's attention to what he has done—and he has done more than any other man—in establishing home ownership in America through Federal Housing Administration loans.

Very few people could own a house in America if the downpayment had to be 50 percent, and if the term of the loan had to be 10 years. Because of the various agencies which have been created and Government insurance, and guarantees, we have created a great industry. We have made millions of people homeowners who could not otherwise be homeowners today. In doing so, we have not lost money but have built up a surplus through our faith that the people of America will pay their debts. Similarly, we feel that in the suggested program for an IDA, the mechanism would help to provide for sound financ-

ing on much better terms than would be available in normal banking channels.

Mr. SPARKMAN. As the Senator points out, a great deal of the success of our housing programs has come about by reason of the nationwide distribution of the program. In other words, it is sharing the risk of capitalization all over the country. It is analogous with what the Senator seeks to do with his proposed program, because it brings about a pooling of the resources of many countries for a purpose in which all of them are mutually interested.

I should like to ask the Senator a question. I am sure he agrees with me that one of the finest programs we have ever sponsored is the one which is popularly known throughout the world as the point 4 program.

Mr. MONRONEY. Indeed it is.

Mr. SPARKMAN. It is referred to formally as the program for technical assistance. Does not the Senator believe that with the kind of program he suggests, there might be provided encouragement for technical assistance on a do-it-yourself basis, because it will be possible under the program to use local currencies?

Mr. MONRONEY. I am very glad the Senator has mentioned that point. When I was in attendance at the Inter-Parliamentary Union at Bangkok, Thailand, 2 years ago, we were told by the people of Thailand of their deep and lasting gratitude to us for furnishing to them, under the point 4 program, LDT and technicians and helicopters. Through this help their great delta land, which for centuries had an incidence of more than 60 percent malaria, had been made malaria-free.

They were so grateful and were so amazed by what could be accomplished through the application of science, that they are now eliminating the malaria-breeding mosquito in Laos and Cambodia, their neighboring countries, at their own expense.

If we can generate that kind of feeling in the minds of people who have been helped, we can start a chain reaction around the world. Through the program we can inculcate a spirit which will mean the end of war cries which now alarm humanity. We can, for example, with the proceeds from the sale of surplus foods, through the World Bank, help the nations to finance sanitation work and other projects to supplement point 4. Much larger projects could be handled.

Mr. SPARKMAN. I am glad the Senator mentioned the malaria problem. It is a worldwide scourge.

Mr. MONRONEY. Indeed it is. It debilitates many more people than any other disease.

Mr. SPARKMAN. I can speak from experience, because I grew up in a malaria area. As a matter of fact, when I was growing up I was a victim of malaria, and suffered from it year after year. My section of the country has been cleaned up through the agency of the Tennessee Valley Authority. Many of the technical assistance programs un-

der point 4 have been of similar help to people in various foreign countries.

I wonder whether the Senator noticed in the CONGRESSIONAL RECORD of July 18, 1958, an insertion by Representative WALTER H. JUDD, who is a doctor and a former missionary, and a member of the Foreign Affairs Committee of the House. He placed in the RECORD an article entitled "The Myth That Latin America Is Anti-United States."

I shall read, if the Senator from Oklahoma will indulge me, two paragraphs from the article. This does not refer to the Senator's program, but I think it fits in with his idea. Remember the subject: The Myth That Latin America Is Anti-United States. By the way, the writer of the article is an economist who had been in South America lecturing and holding conferences. He wrote the article when he returned. The two paragraphs are as follows:

As I have said, we made the trip not only to deliver lectures but also to study Latin America's economic and social evolution. Our round-table discussions with experts and government officials in every country covered such topics as inflation, capital formation, distribution of available resources among the various economic sectors, the relationship between urban and rural areas, the place of industrialization in economic progress, conditions in agriculture, the role of technical and human factors in modernization of the economic structure.

The last question came up everywhere. We found that our Latin American friends considered the technical backwardness of their people the main reason for their poverty. They also believe that economic progress depended directly on investment, and being dissatisfied with the rate of capital formation in their countries, they put their hopes on obtaining United States capital. In contrast, we felt that in most countries the controlling factors lay in political and social conditions: A wrong attitude of wealthy people, excessive investment and speculation in real estate, poor planning, poor organization of credit, antiquated agriculture, a weak domestic market, excessive preoccupation with foreign trade, and readiness to sacrifice agriculture to the dreams of a hurried industrialization. (These conditions, of course, did not exist to the same extent in all the countries we visited. In some we saw satisfactory progress and were impressed by the competence and realistic thinking of their economic leaders.)

I ask the Senator from Oklahoma if the program which he sees as a possible result of the resolution will be an orderly arrangement of the very factors which are being sought in order to overcome backwardness and poverty.

Mr. MONRONEY. Without capital formation nations will be a thousand years in financing their needs. If in a community only one individual makes loans, he becomes known as a money lender, but such a town will never grow. Its credit needs will never be met unless a bank is organized. The individual may be hated if he is a money lender; but there is no such feeling toward a stockholder in a bank.

The time has come in the community of nations when we need adequate international banking arrangements.

We have found from experience that the World Bank, good as its facilities are for making hard money loans, do not afford the complete banking facili-

ties which the world community needs if the nations are to be able to have available long-term credit for worthwhile projects.

We are trying to get away from the moneylender idea. I do not want Uncle Sam to be thought of as the moneylender in the town. I think it is time that we institutionalize international banking facilities, with the help of like-minded nations, so that the people of other nations will not have to come for all they need to a single source. They are rightfully entitled to obtain assistance through an international banking mechanism.

Mr. SPARKMAN. I thank the Senator from Oklahoma for allowing me to participate in the discussion. Again I compliment him upon the fine effort he has made, which has succeeded in bringing the resolution to the floor. I certainly hope it will be adopted.

Mr. MONRONEY. I thank the Senator from Alabama for his great help in this work.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. MONRONEY. I am happy to yield to the assistant majority leader, a member of the Committee on Foreign Relations, who perhaps knows as much as any other Member of the Senate the need for improvement of our foreign-aid program.

Mr. MANSFIELD. I thank the Senator for his kind remarks. I have asked him to yield because of my great interest in the resolution now before the Senate, a resolution which I hope will be speedily and unanimously approved. I have some idea of the struggle which the Senator from Oklahoma, in person, had to go through during the past 2 or 3 years in research and in finding encouragement to get his proposal to the position it occupies today.

The resolution is fully in accord with the sentiments which the Senator has expressed during the past 6 years to the effect that in our aid program we ought to get away from grant assistance, and, instead, substitute long-term loans on a low-interest-rate basis. That is what the poor man's development fund idea, as advocated by the Senator from Oklahoma, provides. I think that is the kind of idea which, as has been pointed out during the debate this morning, will sweep the world. It is something on the order of the point 4 program, as emphasized by the Senator from Alabama [Mr. SPARKMAN], which has accomplished the most good, in my opinion, of any aspect of our foreign-aid program.

I can envision that the proposal of the Senator from Oklahoma—to use such funds on a long-term, low-interest-rate basis—will do the same thing for the people at the bottom, not those at the top, who most need help.

I assure the Senator from Oklahoma that I consider it a distinct honor to be able to support this proposal, as I have regarded it as a distinct honor to support him in the other proposals of this sort which he has made during the years.

Mr. MONRONEY. Mr. President, I thank the assistant majority leader for his support and for his encouragement.

Mr. President, in outlining the aims of the resolution, let me enumerate the following:

First. It will provide a source of long-term loans available at a reasonable rate of interest and repayable in local currencies, or partly in local currencies, to supplement International Bank lending activities, and thereby will permit the prompt completion of worthwhile development projects which otherwise could not go forward.

Second. It will facilitate, in connection with such loans, the use of local and other foreign currencies, including those available to the United States through the sale of agricultural surpluses and through other programs.

Third. It will insure that funds for international economic development can be made available by a process which would encourage multilateral contributions for this purpose.

The resolution contemplates that a companion institution to the World Bank be created to perform a related but distinct lending function. It would be designed to provide long-term loans at low rates of interest for basic economic development projects.

I have proposed this particular approach for several reasons:

First. By organizing this new institution as an affiliate of the World Bank, we can take advantage of the very high regard in which the bank is held, both at home and abroad, and greatly increase the likelihood of the acceptance of the new institution.

Second. By organizing it as an affiliate of the bank we can take advantage of the tremendous talent and experience which are represented in the staff of the bank, and can put the new organization into operation with the minimum of delay.

Third. The closest possible cooperation between the World Bank and the proposed association would be essential. Today the World Bank must refuse loans for many worthwhile projects which will not pay out. It could, however, finance a substantial part of the cost of these projects if some second-mortgage money, frequently in very small amounts, was available from the International Development Association.

Fourth. By following a pattern of organization similar to that of the World Bank, with control based on stock ownership, we could provide the necessary international character and still could insure that the bank would be operated by those providing the funds, rather than by the borrowers.

I believe this study will indicate that such an association would require a minimum initial capital stock of \$1 billion in hard currencies to be provided on the same percentage basis as that of the World Bank, to which the United States has subscribed 34 percent of the total capitalization. It should be emphasized, however, that the amount of the initial capitalization is a matter which would require detailed exploration at the time of the actual organization of such an association.

It has been suggested that additional funds will probably have to be made available for lending by the United

States, over and above its subscription to the capital stock of the association. I do not believe this represents any insurmountable problem. Certain amounts of fixed income—for example, the interest received on our previous foreign loans—might be earmarked over a long term for the purchase of debentures of the Association. In this way, additional funds could be contributed from the United States without disturbing the multinational nature of stock ownership.

Some have expressed doubt that other nations would be willing to increase substantially their present contributions for the development of backward areas. I submit that there is overwhelming evidence to the contrary. Not only have European economists expressed the opinion that more can be done by Europe in this field, but there have been specific proposals for similar undertakings. In this regard it should also be pointed out that the amount of funds committed initially would not be critical in getting such a project launched. To those who may be interested, I commend a study of the subscriptions to the World Bank, the amounts actually paid in, and the magnitude of the lending program which the subscriptions have made possible.

The post-World War II period has been remarkable for the number of countries participating in international financial institutions. Sixty-seven nations are members of both the World Bank and the International Monetary Fund. Seventeen countries participate in the European Payments Union, and 19 nations joined the Colombo plan. Fifty-one governments subscribed to the International Finance Corporation.

An international organization tends to denationalize loan transactions; and it is for this reason that many governments prefer to borrow from the World Bank or a similar international agency, rather than from a single country. The controversy over SUNFED—the Special United Nations Fund for Economic Development—indicated that many nations would prefer international aid. Mr. G. J. N. M. Ruysers of the Netherlands told the United Nations General Assembly, in December 1957, that internationalization of government contributions is the best guaranty against their use for political purposes. And an Indian delegate, Mr. Newab Ali Yawar Jung, expressed the conviction that all sources of capital should be tapped, but thought international bodies the most suitable sources of financial aid, because they obviate possible dangers from expropriation and monopolies.

Representatives of foreign governments have recently offered suggestions indicating a willingness to discuss practicable means of enlarging the corpus of funds available for multilateral loans. These proposals are so numerous, and emanate from such authoritative sources, that they warrant official study by our Government.

Foreign Minister Giuseppe Pella, of Italy, has suggested that western countries coordinate their economic development programs in the Middle East. The Pella plan would create a special loan fund, composed of the reimbursements from Marshall plan loans which the

United States will begin accruing in 1958, additional contributions from the Marshall plan countries, and other contributions from European countries which did not participate in the Marshall plan.

A plan for a Southeast Asia Development Fund was advanced by Premier Nobusuke Kishi, of Japan. His proposal also embraced the principle of multilateral contributions to a development fund.

The 2-year old Venezuelan offer to participate in a multinational economic development organization, and the recent proposal by Ludwig Erhard, the deputy chancellor and economic minister of West Germany, also indicate the willingness of other nations to share the burdens of achieving international economic integration.

Some of these proposals have been elaborate in their details, which fact signifies the thoughtfulness and the seriousness with which they are offered. It would seem to be to the advantage of the United States to explore formally with these and other governments the possibilities of translating these proposals into practicable plans to the mutual benefit of all concerned.

I suggest that such an association would have another significant advantage: It would facilitate the use of so-called soft currencies in economic development. I have suggested that such currencies, in addition to the basic capitalization in hard currency, be made available to the association. The United States itself will have literally billions of dollars worth of these currencies, which could be devoted to economic development, if it continues to accumulate them at the present rate from the sale of agricultural surplus under Public Law 480. Since I proposed the International Development Association, I have received tremendous encouragement from men whose experience in the field convinces them that the proposed association would serve a useful and constructive purpose.

Mr. PROXMIRE. Mr. President, will the Senator from Oklahoma yield to me?

The PRESIDING OFFICER (Mr. CLARK in the chair). Does the Senator from Oklahoma yield to the Senator from Wisconsin?

Mr. MONRONEY. I am happy to yield to my distinguished colleague, who was one of the earliest supporters of this proposal, and is one of the Members who helped us get the resolution through the Banking and Currency Committee.

Mr. PROXMIRE. Mr. President, when I first read about the proposal of the Senator from Oklahoma, I thought it was a wonderful and an inspiring one. I remember reading about it, one Sunday morning early in the session, in the New York Times; and I thought that here was a proposal which I could enthusiastically support.

I was deeply impressed by the remarkably adroit and skillful way in which the Senator from Oklahoma handled the proposal. I recall that in the Banking and Currency Committee, administration representatives came before us, and, to begin with, were not very enthusiastic about the proposal. However, they

changed their viewpoint, because the distinguished Senator from Oklahoma made changes in his proposal—changes which in no way reduce its effectiveness, but, in my judgment, strengthen it.

Many good things have been said about the proposal—among others, that it will provide for long-term, low-interest-rate capital for underdeveloped countries. All of us know how immensely important that is.

The United States has become identified—particularly recently—with military solutions of problems. But this proposal calls for a peaceful solution of many problems.

As a Senator from the State of Wisconsin, which has greatly benefited from Public Law 480, let me say that the resolution will put Public Law 480 funds to work much more effectively, because the soft currencies can then be used in a very constructive way for credit. But of all the accomplishments of this proposal, the most important part of it is that it proposes multilateral action.

I have read the individual views of the Senator from Indiana [Mr. CAPEHART], who is present on the floor, and of the senior Senator from Ohio [Mr. BRICKER], which appear in the committee report. What impressed me most was their contention that this kind of aid is already available. I noticed, as I looked the list over, that in fund after fund the aid is unilateral.

Mr. MONRONEY. The sources of development loans are all unilateral, with the exception of the World Bank.

Mr. PROXMIRE. And this proposal is supplementary to the World Bank.

Mr. MONRONEY. The Monetary Fund has been mentioned. It is a joint operation. However, the Monetary Fund makes no development loans; it makes loans merely to stabilize currencies.

Mr. PROXMIRE. There is the Export-Import Bank, and other institutions.

Mr. MONRONEY. Many of them are primarily for our own benefit. They are established to help us finance markets for our products, a feature which I support and approve, but they are not multilateral programs. We had them before foreign aid was studied or extended.

Mr. PROXMIRE. Such a program is immensely important, because Russia is providing long-term, low-interest rate capital; but Russia is providing it on a unilateral basis, too.

There is here proposed a way whereby we can defeat Russia economically and on a credit basis, because it is enormously important that loans be available to underdeveloped countries, especially in view of growing nationalism. It is important that we appear, not as a money lender, but as a stockholder in a bank, cooperating with them so that they can build up their economies.

I am glad to be a co-sponsor of the resolution, and I am enthusiastically in favor of it. The Senator from Oklahoma is making a brilliant speech this morning. I hope the resolution will be overwhelmingly adopted by the Senate.

Mr. MONRONEY. I thank the Senator from Wisconsin for his most constructive statement, particularly in reference to disposal of agricultural

products. Here is a chance to help our farmers by promoting the removal of market-depressing agricultural surpluses. These surpluses go into foreign commerce so that hungry people in countries with a shortage of foreign exchange can buy wheat, butter, or milk with local currencies. Then the money is thrice blessed, because this country, through Public Law 480 funds, will be able to promote development in still other countries by making their local currencies available for development. This is an important and an integral part of the program.

If, by 1960 we do not find a way to use some \$5 billion of Public Law 480 funds, which we will have received for our surplus agricultural products, the people may question the wisdom of continuing to accumulate foreign currencies.

Mr. PROXMIRE. Will the Senator yield for one further observation?

Mr. MONRONEY. Yes.

Mr. PROXMIRE. I should like to point out that Wisconsin, perhaps as much as any other State, has earned a reputation for having a disinterest in international policy, or, as some critics call it, of being isolationist. Many people in Wisconsin have been critical of our foreign aid program. One of the excellent conservative newspapers in Wisconsin is the Green Bay Press-Gazette. It has a healthy suspicion of international proposals. Yet it is representative of the newspapers which have picked up the proposal of the Senator from Oklahoma and have enthusiastically supported it and recognized that it provides a way, without charity or a give-away, to put our funds to work in a constructive way, or, as the distinguished Senator from Oklahoma has said, in a triple way.

I am sure the farmers of Wisconsin, who will hear much about this in the coming months, will be in favor of the kind of constructive international action, here proposed, which will be helpful to them, helpful to foreign countries, helpful to the prestige of America throughout the world, as well as helpful to other human beings elsewhere. I am sure they will enthusiastically support this kind of internationalism.

Mr. MONRONEY. I thank my colleague for his contribution.

Mr. CAPEHART. Mr. President, will the Senator yield at that point?

Mr. MONRONEY. I yield.

Mr. CAPEHART. Will the Senator point out how this proposal will help the sale of agricultural products?

Mr. MONRONEY. In reply to the Senator's question, let me ask the Senator a question. I am sure he voted for the Public Law 480 program. Did he not?

Mr. CAPEHART. Yes.

Mr. MONRONEY. Exactly how will we be benefited by Public Law 480 funds we will receive, estimated at \$5 billion by 1960? If we do not put them to work to help relieve the dependence of foreign countries on dollars, they will largely be dissipated. We should see if those currencies cannot be put to work to do a triple job of helping our own farmers, then the hungry of countries which do

not have dollar exchange, and then in the development of the countries where the local currencies can be spent?

Mr. CAPEHART. Under Public Law 480 we sell surplus farm products to countries and take their currencies in payment.

Mr. MONRONEY. Yes; local currencies.

Mr. CAPEHART. There is nothing in the organization which would be created under the resolution which would increase the sale of our surplus agricultural products. Therefore, the idea that the farmers will be happy about this proposal is not well founded because the proposal has no relationship to sales of agricultural products. We sell surplus farm products under Public Law 480, get foreign currencies and then lend the currencies back to the respective countries, and those countries spend those funds for their own development.

Mr. MONRONEY. Within their own countries.

Mr. CAPEHART. It has nothing to do with farm products. This program will not increase the sale of surplus farm products by 1 penny or 1 ounce. To try to make the people believe that the program will, I do not think is fair, because there is nothing in the proposed International Development Association that would do so.

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. MONRONEY. I yield.

Mr. PROXMIRE. I am sure my friend from Indiana agrees with me that it is extremely difficult to sell the Congress and the American people on our farm-support programs as conditions now are. It is very difficult for many persons to understand why we should have what have been called subsidies for farmers. It is also difficult for them to understand why we should have alleged giveaway programs by way of sending agricultural commodities abroad.

It seems to me this program will put us in a far stronger position, not only with respect to the farmers, but with respect to all the American people, in selling the Public Law 480 program in the future, because the uses to which the funds will be put will be much more constructive. It seems to me this will be another weapon in our armament for using our great abundance of agricultural production constructively.

Mr. CAPEHART. What some Senators are forgetting is that the countries to which we sell surplus products, for which we receive in return local currencies, are not going to permit us to spend those currencies except as they direct. The Senator apparently has not read the charter of the International Bank for Reconstruction and Development. Under the charter, the members of the International Bank for Reconstruction and Development reserve the right to state how the currencies which they supply to the bank shall be loaned.

We will accomplish nothing as a result of trying to dispose of currencies which are acquired as the result of the sale of surplus farm products. No country in the world is going to give us its currency and then permit us to do what we please with it.

Mr. PROXMIRE. The Senator is exactly correct. That is what we say should not be done. We say this matter should be handled in a multilateral way. The money should be borrowed for whatever purpose is thought to be sound, and the money should be repaid.

Mr. CAPEHART. But those who supply the currency to the International Bank for Reconstruction and Development are members of the International Bank for Reconstruction and Development, and they reserve the right to control what the bank does with their currency. Really, we are talking about something which is quite different. One of the reasons I am against the proposal is that it simply will not work. It is not a practical suggestion and the idea is not practical. The International Bank for Reconstruction and Development can, if it desires, do exactly what the resolution now under consideration calls for. We do not need additional legislation.

The only reason Mr. Black might be in favor of the proposal—and I do not know whether he is or is not; but I will take the word of others that he is—is that it will give him more dollars, whereby he can make soft loans at 2 percent interest on a 40-year basis, which he will not make at the moment with the funds of the International Bank for Reconstruction and Development because he does not consider it to be good business.

We now have a Development Loan Corporation which is doing exactly that which the resolution would call for doing, except that the United States controls the Development Loan Corporation. We handle the entire business. We do not share it with any other country in the world. I do not think we should furnish dollars for other people who wish to tell us how to spend them and what to do with them. I disapprove of the idea that we make friends if other countries borrow money through an International Bank, and make enemies if the countries borrow the money directly from us. I do not think there is any logic in such a statement at all. I do not think there is any truth to the statement.

I happen to know that the countries of the world and the peoples of the world would much prefer to borrow money from the Export-Import Bank rather than from the International Bank for Reconstruction and Development.

Mr. PROXMIRE. I would simply say to the distinguished Senator from Indiana that it seems to me we should not only permit but we should encourage other countries to help us carry this load. Other countries appreciate such action. The borrowers appreciate it, also. And certainly the taxpayers of America appreciate getting some of this load off their backs.

There is no question in my mind, and I am sure there will be no question in the mind of the Senator from Indiana if he will carefully read it, that the Monroney resolution, if it is followed through in its intent, will unblock some of the soft currencies and put them to work. The Senator may feel that is not true, or that it will not be on a substantial enough basis to be of value, but such

action will put some of the soft currencies to use.

Mr. CAPEHART. How would the resolution unblock currencies and put them to work?

Mr. MONRONEY. What is the question of the Senator?

Mr. CAPEHART. How would the resolution unblock currencies and put them to work?

Mr. MONRONEY. The report of the Treasury Department shows that as the result of the sale of agricultural surpluses under Public Law 480, we will have \$5 billion in local currencies by 1960. We cannot spend those currencies because there is a restriction against replacing the dollar market. If we can channel those currencies into a world bank organization, so that they can be used with the consent of the originating country for development loans, it would be of help in carrying a part of the load.

Mr. CAPEHART. Mr. President, will the Senator yield?

Mr. MONRONEY. I do not know why the distinguished Senator from Indiana wants the United States to be the only member of the "community fund." I do not know why the Senator wants the American taxpayer to be the sole person to put up money for this purpose. I think that if what is proposed is a good idea we ought to share it with the other like-minded nations of the world, and let them carry a portion of the load.

Mr. CAPEHART. Mr. President, will the Senator yield?

Mr. MONRONEY. I am happy to yield.

Mr. CAPEHART. There is nothing in the resolution which provides that other people will put up money.

Mr. MONRONEY. Well—

Mr. CAPEHART. Wait a moment. We have in our Treasury, and our Treasury owns, about \$5 billion of currencies of other countries, as the Senator has stated. We can spend those currencies. We do not need to have other countries help us dispose of those currencies. We own them. We control them. We can loan them. We do loan those currencies at the present time, under the Development Loan Corporation.

I am against a one-world concept. I am against the idea that we have to share everything with every other country in the world and that every country ought to spend our money and ought to tell us what to do. I am against that. I make no apology for being against it.

That is what the Senator is arguing for today. The Senator is arguing that we ought to take \$5 billion, which we have in the Treasury as of the moment in the form of currencies of other countries, and put the money into a pot or put it into some kind of a fund and permit other countries to tell us how to spend it, how to loan it, and how to handle it.

Mr. MONRONEY. Is the Senator against the World Bank?

Mr. CAPEHART. I am not against the World Bank.

Mr. MONRONEY. Would the Senator be against making investments in long-term debentures of currencies which are

worthless to us today? There are restrictions against the United States replacing dollar markets. We can use the funds only for the small diplomatic expenditures which we might have in foreign countries, or some defense activities in foreign countries.

The Senator says that nobody should tell us how to spend this currency. I hope the Senator will tell me how he thinks we can spend these currencies.

Mr. CAPEHART. That is very, very simple. That is being done at the moment by the Development Loan Corporation.

Mr. MONRONEY. Will the Senator name the number of loans which the Development Loan Fund has made in local currency? Every loan has been made in a hard-dollar currency, and is repayable in a soft currency.

Mr. CAPEHART. Of course, that is not a completely true statement. We have loaned back to these countries millions of dollars.

Mr. MONRONEY. That is the program under Public Law 480.

Mr. CAPEHART. We have loaned back to these foreign countries currencies which we have obtained as a result of the sale of surplus products, for development in those foreign countries.

Mr. MONRONEY. The Senator is correct.

Mr. CAPEHART. We have loaned hundreds of millions of dollars.

Mr. MONRONEY. That is the program under Public Law 480 and under the ICA. In most countries, we never loan more than 50 percent of the currency developed under Public Law 480, so the residue keeps piling up.

The Senator might be interested in knowing that if we do not find a use for these currencies, the projection of the experts of the Treasury Department is that with interest coming in from the loans already made and others which will be made under the loan-back program, we will accumulate a total of \$100 billion by the year 2000, which is not too far away.

Mr. CAPEHART. Can the Senator show me anything in the resolution which has any bearing whatsoever upon the disposal of these currencies.

Mr. MONRONEY. If the Senator will look at the resolution, he will see that we are trying to find a way to use them. We are trying to find a mechanism by which to accomplish our purpose. We are trying to set up an international organization, if the study proves it will be feasible.

Let us not quarantine ourselves from information. I think it is high time that we search for the new. We should explore for the new. Let us not pull down the shades and say, "We know everything already; we would like to be the sole banker for the world, and we would like to be the sole grantor of foreign aid."

I think it is time for us to share a little bit of the privilege, as well as the responsibility and the burden, with other countries which have been helped and are doing pretty well in their recovery.

Mr. CAPEHART. Mr. President, will the Senator yield?

Mr. MONRONEY. I yield.

Mr. CAPEHART. We have the point 4 program now, under which we are loaning money. We have the International Bank for Reconstruction and Development, under which we are loaning money internationally. We have the International Monetary Fund, the international finance company under which we are loaning money. We have the Development Loan Fund, which we established a year ago. We also have the Export-Import Bank and Public Law 480. In addition, we have the President's emergency fund.

There is not a single one of those organizations to which we could not turn over all the currency the Senator is talking about. We could turn over \$5 billion worth of currencies to all of those agencies, or to any one of them, and loan the money to any country in the world we cared to loan it to.

Mr. MONRONEY. I wish the Senator would tell me how we can satisfy Douglas Aircraft Co., or Boeing, by paying for an airplane in local currencies of Thailand, or Japan. The Export-Import Bank finances the sale of American products abroad, but I am sure the Senator is not proposing that we take payment for the new turbo-jets in Japanese yen or in Thai baht, or in the Spanish pesetas. They will want their payment in dollars.

The International Bank for Reconstruction and Redevelopment, with its affiliates, is one big international lending institution, to which this proposal would add another element. All the others are unilateral lending institutions, combined with an aid program. What the Senator is still resisting is the effort to allow anyone else to participate in foreign aid or foreign development loans. I think it is a worthy program to share with others, and worth having the help of others in carrying that load.

Mr. CAPEHART. The Senator does not deny the fact that if we wanted to do so, we could turn over \$5 billion in foreign currencies to the Export-Import Bank to lend?

Mr. MONRONEY. What would they do with it?

Mr. CAPEHART. They could do exactly the same thing with it as would the proposed new organization.

Mr. MONRONEY. The Senator desires to change the character of the Export-Import Bank, and put it in the "soft" loan business.

Mr. CAPEHART. I am against doing it.

Mr. MONRONEY. The Export-Import Bank is not a "soft" loan bank. It does not finance anything but American production. The soft currencies might be turned over to it for storage. Warehouse receipts could be issued, and they could be allowed to gather dust and to mold, but they could not go to work, because the Export-Import Bank is not that kind of institution.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. MONRONEY. I yield.

Mr. AIKEN. The Senator from Indiana is figuring in terms of spending \$5 billion of foreign currency. The \$5½ billion total authorization under Public Law 480 includes all the transactions

which have been made up to this time, as well as those which would be made during the period for which Public Law 480 is extended. I do not think there is much more than \$1¼ billion of foreign currency available at this time; and I surmise that most of that is already committed for some other purposes.

Mr. MONRONEY. It is estimated that by 1960 the amount will be \$5 billion. Sales agreements vary from country to country. In one case the lend-back is 50 percent; in another case 40 percent; and in still another case 90 percent. Repayment is at various rates, and at various rates of interest. The entire program, even for lending in the country of origin, badly needs uniformity. We believe that under this program we can commit some of these sums to useful and constructive purposes.

The late Senator George of Georgia used to stand on this floor and say, "Beware of the day when the United States becomes the sole banker for the world, when all the debts are owed to us." Sooner or later there will be a wave of forgiveness. We shall tear up all the I O U's and start over again, and Uncle Sam will be left holding the bag.

I say, let us organize a lending institution so that all the people who borrow will be stockholders, and we shall have an institution rather than a single money lender.

Mr. AIKEN. I can remember when the prediction was made that when the national debt reached \$50 billion our Government would fall flat. We cannot see as far ahead as the year 2000. We cannot see what is going to happen in the year 1960.

I rose not to get into an argument about conjectural matters, but to point out that there is no \$5 billion in foreign currencies available for this purpose.

Mr. MONRONEY. There is about \$2½ billion. The projection for 1960 is about \$5 billion.

I am, of course, fully aware of the limitations on the use of such local currencies. However, they have been used successfully in triangular trade arrangements for development purposes. Their use would be greatly increased in an international mechanism and their usefulness will, of course, increase directly in proportion to our achievements in the economic development of the issuing countries. The currency which is of little value today may be of great value in 10 years.

The policy of using foreign currencies owned by the United States for loans to third nations has previously been authorized by the Congress but there is no adequate mechanism for performing this function. Public Law 480, section 104 (d), of the 83d Congress, which permits sale of United States farm surpluses for foreign currencies, authorizes the use of these currencies for loans for economic development. The Mutual Security Act, section 402, also authorizes the President to transfer Public Law 480 funds to an international organization.

The United States Government now owns approximately \$2.5 billion of foreign currencies, but by 1960 it is expected to possess as much as \$5 billion. Approximately 50 percent of these funds

have been loaned back for terms of from 10 to 40 years, with repayment commencing after the first 4 years. Hence, by 1960 and 1970 our stock of these foreign moneys will vastly increase. In the past the United States has been able to use these local currencies for several worthwhile purposes, but these same purposes are not likely to consume the twofold increase which is contemplated. A State Department memorandum notes that in many cases these funds will be substantially beyond the needs of the United States to cover anticipated United States expenditures. If this comes to pass, the fruitful use of such funds will at that time become a problem.

One of the purposes of the European Payments Union was to promote the use of local currencies as a partial substitute for direct foreign aid. The EPU illustrates some things that can be done to maximize the international use of foreign currencies. The EPU began operations in 1950 to relieve some of the foreign exchange shortages of the Marshall plan countries and to assist in promoting conditions under which certain "soft" currencies might be convertible with other currencies. The Union serves as a mechanism through which member-states channel all payments to one another; in other words, members substitute multilateral payments for bilateral payments. Thus, while one state is short of another's currency it draws on third country currencies in its EPU balance and is not prevented from engaging in necessary foreign trade with any EPU member because of a foreign exchange shortage.

I do not wish to raise any false hopes that these foreign currencies could be used to the extent of their face value. There would doubtless be a great many practical problems involved in using any great amount of foreign currencies in third countries, since most of these currencies are those of underdeveloped areas themselves, which have few goods to spare for export on credit to other countries. Nevertheless, means of increasing their use ought to be thoroughly explored.

I urge the passage of this resolution by the Senate. I urge that the study for which it calls be promptly undertaken.

We have seen the Soviet Union counter and pervert every unilateral effort which we have made to assist in economic development, and the whole problem overcast by suspicion, accusation, and controversy. The world is waiting for leadership in an adequate program of economic development. It is waiting for a dynamic program, which can capture the imagination and stimulate the best efforts of mankind.

I believe that its passage may lead to a new era in international economic development—one in which the nations of the world will renew their joint effort to realize the bountiful promise of today's science and technology, and to distribute that bounty more equitably among the world's peoples. If by this resolution we contribute in even a small way to that objective, we will have rendered great service to our own Nation, to all mankind, and to the cause of world peace.

Mr. MORSE. Mr. President, as one of the cosponsors of the resolution, I cannot commend too highly the Senator from Oklahoma for the work he has done on the resolution and for the leadership and foresightedness he has displayed in bringing the subject of an international development program before the Senate and the American people.

I have read the individual views of the Senator from Indiana [Mr. CAPEHART] and the Senator from Ohio [Mr. BRICKER]. Because of my very high regard for both Senators, I wish to make clear my point of view in regard to the objectives of the resolution, because I think this should be a part of its legislative history.

On February 10 of this year, I spoke at length on what I regard as the deficiencies in the military phases of our foreign aid program. At that time I stated that at a later date I would speak on what I regard as the deficiencies of our economic aid program. It was only a few days later that the Senator from Oklahoma submitted his original resolution calling for a study of the feasibility of an addition to the International Bank for Reconstruction and Development, an addition which would provide capital for the type of loans which are now largely refused by the bank.

I desire to stress that the basic purpose of the resolution is to provide a study, so that we can ascertain what the situation is. There is no intention or language in the resolution which would require the International Bank to make any specific loan, if its study of a specific loan proposal convinced the bank that it was not in the economic interest of the bank to make it, or if it was not a good business loan. That is a point I wish to stress above all else.

Therefore, I was pleased to be a cosponsor of the new version of the resolution reported by the Committee on Banking and Currency. I only hope that our directive to the National Advisory Council to make such a study will not prove to be a mere academic gesture.

It deserves to have the constructive help and support of the entire administration, including the State Department, because it is long past time that we regarded economic development as a bargaining point in the cold war. It is long past time that capital for economic development and human welfare were removed from the East-West struggle. For too long the State Department has regarded economic aid for underdeveloped countries as more of a lure and reward, when it should more properly, in my opinion, be regarded as a necessary element in the growth of the nations where live the masses of the world's people who have lived too long in the shadow of colonialism.

Two years ago the Senate provided many thousands of dollars—in fact, I think the RECORD will show it was about \$270,000—for a study of foreign aid by a group of scholars from the University of Chicago, Columbia University, Massachusetts Institute of Technology, Princeton University, Brookings Institution, and several additional private research agencies.

I think the resolution offered by the Senator from Oklahoma should be considered carefully. It deserves to be considered in terms of what the study groups of experts consider advisable with respect to economic aid development.

I have been heard to say many times that I do not believe in arguing facts. I believe in finding the facts. Our first step in this field, it seems to me, is to have the study proposed by the Senator's resolution. The resolution commits the Senate to nothing except a study. After the study has been made, then, as a matter of policy, the Senate can decide what its future course of action should be. On that basis, I support the resolution.

One of the most important studies made on foreign aid by the expert groups with whom the Foreign Relations Committee entered into contracts was that by the Center for International Studies of the Massachusetts Institute of Technology, in which it was stated:

Initially we had hoped that it might be possible to create around the border of the Communist bloc local strength adequate to contain Communist forces. It is now becoming increasingly apparent that, since any general war which threatens our security will probably have to be fought largely by our own military forces, our security interests in the underdeveloped areas can best be met by strengthening the capacity of these countries to resist internal subversion and limited forms of aggression. To the extent that countries receiving our aid can reduce the likelihood of internal disorders and subversion our defense problem will be lightened, but we cannot expect such countries to build strong enough defenses to resist all-out Communist military aggression. This strategic concept has not, however, led to a redesign of our military-aid programs, which are still directly or indirectly designed to make possible the maintenance of standing armies much larger than these countries could otherwise afford.

That this outmoded concept still prevails is borne out by the requests submitted by the administration and largely approved by Congress for foreign aid. Of the nearly \$4 billion requested, \$1.8 billion was for military assistance and \$835 million was for the defense support needed to complement the military assistance. That means that about 65 percent of this year's total foreign-aid program is to go for military purposes.

I point out that according to Secretary Dulles' testimony to the Foreign Relations Committee this year, 70 percent of the defense support funds will go to just 4 countries—Korea, Taiwan, Vietnam, and Turkey. That would be an average of \$146 million to each, in addition to military hardware itself, and in addition to economic assistance they may receive under other parts of the mutual-security program.

In other words, each of these 4 nations is overmilitarized in terms of its economic structure to the extent of 146 million American dollars.

Although we have had some scary warnings about how American security would be threatened unless the whole request is provided, no suggestion has ever been given that by sustaining these overgrown military establishments in Korea,

Taiwan, Vietnam, and Turkey is the need removed for American military action in case of attack on any one of them.

On the contrary, does anyone doubt that if the Communist government of China launches a full-scale war against Nationalist Taiwan it will take the United States 7th Fleet and probably a lot of American air and land power as well to repel it?

Does anyone suppose for a minute that if Russia were to invade Turkey with all the strength of its missile and weapon development that anything short of American intervention with the same weapons could match Russia?

The answer is the one suggested in the study I have just quoted—that any war that threatens our security will have to be fought with our own military forces.

Of course, we can get help. I am sure we will get it from the free nations that are able to give it.

But in a future war, is any nonatomic, nonmissile power really going to count for much? I doubt it. Such countries will quite likely be just as devastated and decimated as the great powers, but their military forces equipped with rifles, tanks, and planes of World War II or even Korean war vintage are not likely to affect the outcome.

That is why I questioned at great length the objectives and amounts of the military-aid program in my speech of February 10. That is why I question the soundness of a foreign-aid program in this year of 1958 that is 65 percent devoted to military purposes above and beyond our own forces. That is why I suggested that our military aid ought to be directed to the NATO powers who can use it effectively and that we cease passing it around in costly dribbles to any head of state who has his own personal uses for it.

What can contribute to the strength of these nations is economic assistance.

It is economic assistance that I want to discuss in detail today. Because the Soviet Union has not failed to recognize what we are now failing to realize ourselves—that a sense of urgency about economic development and improvement has arisen in Asia, Africa, and the Middle East, and that to these populations, economic aid has become more attractive than military aid.

I quote from the MIT study, page 9:

Even in the SEATO area, the pressures for increased economic aid expanded; and elsewhere in the underdeveloped areas the continued American emphasis on the maintenance of ground force deterrence appeared out of step with local political pressures and interests. Our allies, friends, and potential friends of the Free World became progressively more frustrated by the cost of American policy and the aid program that backed it.

The authors of this study believed the United States has an opportunity over the next two or three decades to resolve the cold war and to resolve it in favor of an atmosphere more congenial to the American way of life. It rested this view upon 2 facts about the modern world and 1 proposition. I quote this lengthy statement in full because it is the foundation

of my own view of the direction our foreign-aid program must take:

The first fact is that one-third of the world's peoples have come to share a determination to overcome, and quickly, centuries of social and political inertia and economic stagnation in order to achieve a larger national dignity and, in particular, to create expanding economies and rising standards of life. Embarked upon revolutionary changes in their modes of life, these peoples—including some who are our military allies—are as yet uncommitted. Most are uncommitted in terms of the day-to-day alignments of the cold war; more important, almost all are uncommitted in terms of the kinds of societies they want to create.

The second fact is that the United States is a country of immense and fast increasing wealth, and hence in a position to deploy abroad substantial resources while continuing steadily to raise our own standards of living. Further, we have developed more successfully than most nations social, political, and economic techniques for realizing widespread popular desires for change without either compulsion or social disorganization. Although these techniques must be adopted, country by country, to fit particular local conditions, they represent a considerable potential for steering the world's newly aroused human energies in constructive directions.

The proposition is that a comprehensive and sustained program of American economic assistance aimed at helping the free underdeveloped countries to create the conditions of self-sustaining economic growth can, in the short run, materially reduce the danger of conflict triggered by aggressive minor powers, and can, in say two to three decades, result in an overwhelming preponderance of societies with a successful record of solving their problems without resort to coercion or violence. The establishment of such a preponderance of stable, effective, and democratic societies gives the best promise of a favorable settlement of the cold war and of a peaceful, progressive world environment.

This, of course, is an optimistic view. The MIT group may be too optimistic in feeling that effectively democratic societies will evolve if only development aid is made available to them in sufficient quantities. If that is to occur, a lot of other things will have to happen in addition to the supplying of capital. But I do think that unless there is a rise in their living standard, there can be no development toward democracy at all.

Here I think it is important to bring in some of the findings from the study, *The Role of Foreign Aid in the Development of Other Countries*, by the Research Center in Economic Development and Cultural Change of the University of Chicago. This study dealt largely with the impact of foreign aid on underdeveloped countries.

First, it fixed as underdeveloped the countries with a per capita gross national product below \$300, and noted that most of the countries of Asia, Africa, and Latin America fall into that category.

It found that these countries have fallen behind in their economic performance because the quality of the human resources employed in production and the quantity and kind of capital they use are far below those employed in the advanced countries.

But it found that economic growth does not necessarily mean the development of the free, democratic society such as we enjoy in the United States. In-

deed, when a nationality group bursts from centuries of stagnation into economic progress, its entire social and economic structure must be expected to change, and in such change the institutions of government that emerge are myriad.

I quote from the University of Chicago study:

Economic change, if it is on a large enough scale and meets with enough success, tends to generate the conditions, both economic and cultural, of its own continuance. There is considerable evidence that the changes associated with industrialization and urbanization are particularly effective in this respect. Though growth also gives rise to social and cultural disorganization which must be dealt with, such disorganization by loosening traditional structures, may aid in further favorable changes, if new substitutes and new alternatives are also available.

Note that this study is more tentative in its conclusions about the growth of democratic institutions. It is wise for us to remember the social and political cleavage that resulted in our own country from the industrial revolution, a cleavage that was resolved only by a bloody and costly Civil War.

The tearing apart of social, economic and political structures that have dominated these underdeveloped countries often for centuries, is going to result in turmoil in many cases. We may as well understand that fact at the beginning. But it is also a fact that new structures of some kind are going to grow and the important thing is the direction and form that they take.

The United States, with its great wealth, is in a position to influence the direction they take, if we are wise enough to be able to do it.

I quote from the University of Chicago's analysis of the industrial revolution:

The combined impact of economic development resulting in higher standards of material welfare, of industrialization, and of urbanization, remodeled the social structures of the developing countries. In those countries in which longstanding aristocratic prerogatives had prevailed, these prerogatives tended to fall before the growing wealth and political importance of the middle class. In the course of the 19th century, the franchise was greatly extended, and it became possible in almost all developing countries for a man with intelligence and initiative to move up to a position of wealth and influence. The fact that many American Presidents and legislators started life, if not in log cabins, nevertheless in poor and narrow circumstances, is one of the more patent examples of this process. * * *

The process of economic development and associated social change has thus had the general effect of tending to introduce more democratic, egalitarian social relations. As a society becomes wealthier, it can afford to distribute its wealth more equally. As persons acquire a greater share in society's output and a greater amount of wealth, they recognize more and more clearly that they have a stake in the nation and that economic progress benefits them, whatever else it may do for others. This is an important fact to bear in mind, since a policy of foreign aid pursued by a democratic country may be justified by the fact that where it is successful in actually helping to raise living standards noticeably, it is likely to extend the attraction of responsible democratic gov-

ernment and to constitute a blow against communistic irresponsibility and aggression. However, as we shall try to show in the next chapter, the path to genuine economic advance on a mass basis is slow and subject to many interruptions and potential blind alleys.

As this study makes clear, whatever their capacities, most of the poverty-stricken people of the world have learned in the last few years that their condition is not necessarily inevitable or permanent. Great masses of them are determined to do something about it, one way or another. If we could only understand that this is exactly what is now happening in the Middle East, I think our policy there would be a much sounder one.

In all likelihood, and I paraphrase the study by the University of Chicago, they will experience periods of upheaval and a highly unstable social and political equilibrium. It is even possible that as a country builds its economic strength it will turn its back on the West and become a partisan or sympathizer of the Communist camp.

But at the same time, economic development and a genuine improvement in the way the masses of the people live are essential to democracy and self-determination. The countries of Southeast Asia and the Middle East are probably the most crucial in this respect. It is uncertain which direction they will take. But it is certain that their people are never again going to be satisfied to exist at the very bottom of the scale of human life.

Therefore, the question becomes, in my judgment, not whether, but how can the United States most effectively aid their economic development?

First, let us consider the need. The final point in the summary of the University of Chicago study stated:

It is estimated that economic aid to the strategically located countries in Asia, the Middle East, and Africa, if provided on a basis large enough to achieve the objectives envisaged in this report, and yet to be absorbed suitably by the economies of the aid-receiving countries, would run at a minimum of \$2 billion per year in the early years, but that this amount may have to be raised to approximately \$3 billion annually, that it might use to a minimum of \$5 billion annually at a later stage, and that it would decline after that, as aid-receiving countries become progressively more able to sustain their own economic development out of their own resources and savings.

That estimate involves only Asia, the Middle East, and Africa. It also allows for private investment there of about \$1 billion a year.

In its study, The Objectives of United States Economic Assistance Programs, the Massachusetts Institute of Technology Center for International Studies found that—

Absorptive capacity is so limited in many underdeveloped countries that relatively small amounts of capital (\$2.5 billion to \$3.5 billion more per year from all sources) would amply suffice even if every underdeveloped country of the Free World were to avail itself fully of this opportunity. In practice it is unlikely that more than 50 to 60 percent of this amount would be taken up (p. 61, Foreign-aid program, S. Doc. 52, 85th Cong.).

I think it is fair to say that these studies, then, fix the need for capital in underdeveloped countries from nonprivate sources at around \$2 billion a year. I appreciate that a special five-man group appointed by the Secretary General of the United Nations to estimate the capital needs of the underdeveloped countries came back with an amount far in excess of that, but its assumptions in making the estimate were considerably different. For the work done by the United Nations in this field, including the reference I have just made, I refer students of this subject to the book published in 1957 by the Brookings Institution, The United Nations and Promotion of the General Welfare.

The next problem is the source of the \$2 billion, which I shall use for discussion purposes as the amount needed from nonprivate sources. There is at present no multilateral lending institution, with the exception of the International Bank for Reconstruction and Development. The loans made by IBRD, however, have unqualified conditions for repayment and carry a relatively high rate of interest. The IBRD has not met to the extent necessary the demand for loans for the basic services needed by human beings in modern society. It lends money for projects with little risk, and requires repayment in dollars or other international currency.

Thus, nations seeking such loans must go to the great powers, principally either the United States or the Soviet Union, and ask for money. They may receive it, either by loan or by grant. But in either case, and especially in the case of a grant, there is the inevitable implication of obligation. On both sides, it is inevitably assumed that the recipient will follow the lender in international affairs. The result has been that in America, for example, we find ourselves expecting every beneficiary of our foreign aid program to do as we do vis-a-vis the Communist world, and to support our position without question in every international dispute. When they do not, we tend to regard them as "ingrates."

I think the same feeling arises in the recipient country, particularly among the political opposition of the Government that may have accepted the financial assistance from us. That Government is accused of being a tool of America, or of the West, and its freedom of judgment on the merits of the issues is thereby limited.

On the other hand, if such a nation accepts financial assistance from the Soviet Union, we consider them to be satellites at worse, and neutrals at best, in terms of the cold war.

As the study by Stuart Rice Associates on The Foreign Aid Activities of Other Free Nations, put it:

Motives of self-interest for extending aid bilaterally seem obvious. A large measure of control is left in the hands of the donor country. In the case of dependencies over which the continuance of control is desired, this factor may seem especially important. The mother country can decide for what particular objects and under what specific conditions aid is to be used, thus protecting

its suzerain relationship. The United Kingdom, France, Belgium, Portugal, Spain, and the Netherlands are all aware of and make use of this advantage. As a corollary, bilateral assistance by other nations to the dependencies of colonial powers is unwelcome. The mother country jealously guards her prerogatives and thus seeks to discourage her offspring from developing romantic interest outside the family (p. 1131, Foreign Aid Study, S. Doc. No. 52, 85th Cong.).

The study does not find American aid motivated to quite the same extent by a desire to retain dominance over the recipient nation as occurs among some other Western Powers. But it also points out that we put a much heavier emphasis upon military aid than do our allies.

I would like to point out here that among the recommendations of the Stuart Rice Associates study were the following:

3. By amendment of the Mutual Security Act or by request addressed to the President, attempt to secure a closer coordination within specific regions of the bilateral economic and technical assistance programs of the United States with the interests and activities of local governments, multinational agencies and private organizations; to the end that the conceptions and type of relations embodied in the Colombo plan be utilized in the administration of foreign aid programs of the United States.

4. Take steps to explore the possibility that the charter and procedures of the International Bank for Reconstruction and Development might be so interpreted or altered as to enable it to supervise the extension of grants and nonself-liquidating loans intended to provide the infrastructure of development in underdeveloped countries; and meanwhile withhold Senate approval of the proposed Special United Nations Fund for Economic Development (p. 1065, Foreign Aid Study).

The Stuart Rice study finds a stronger case for multilateral channels for technical assistance than for development aid. But I personally think the study underestimates the interest the United States itself has in contributing to economic development that is not tied to the parties contending in the cold war.

This study also points out that bilateral aid affords the poorest channel for disposal of agricultural commodity surpluses, a discussion which has particular relevance to the resolution now under consideration.

In the MIT study, six criteria were listed for the channels through which our economic aid might best be directed, and I ask to have the list printed at this point.

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

(1) The channel for aid must be such as to instill confidence among the American people that aid funds will be prudently and effectively used.

(2) At the same time, the channel chosen should create in the minds of the peoples of the world the most favorable image possible of United States motives and intentions. In any aid program it will occasionally be necessary, in accordance with the aid criteria established, to limit aid to a country to less than it feels it could effectively use and to reject certain projects or programs. Unless the aid channel has helped engender confidence in the recipient countries that decisions are made according to objective economic criteria, suspicion may

arise that aid is being given for ulterior political or imperialistic motives. In general, the aid programs will be most effective if they establish an atmosphere of partnership between countries supplying aid and those receiving it.

(3) Aid channels should be such as to encourage the widest possible participation in extending aid among countries able to do so. Moreover, the aid mechanism should facilitate coordination among the various countries and agencies extending loans, grants, and technical assistance, both in order that they may operate with knowledge of each others' programs and negotiations and in order that underdeveloped countries may be informed concerning the alternative sources open to them.

(4) Channels should be so designed as to remove aid as far as possible from the context of East-West competition. Confidence should be established, for example, that United States aid for economic development is not being employed as a tactical weapon of foreign policy intended to buy allies or to counter Soviet aid moves. An aid program will not achieve its objectives unless the recipients are convinced that their foreign policy is in no way compromised by it and that aid and economic advice are offered solely to help them promote development.

(5) The aid channel should tend to encourage economically beneficial international trade relations among developing nations and between them and other nations.

(6) The creation of new and untested administrative machinery should be avoided unless a clear advantage exists in doing so. Likewise, action should not be taken which reduces the effectiveness of existing channels for supplying economic aid.

Mr. MORSE. I now ask to have printed the discussions Exclusive Reliance on Multilateral Channels, Increased Reliance on Multilateral Program, and Establishment of a New Multilateral Development Organization from the study by the Brookings Institution on the Administrative Aspects of United States Foreign Assistance Programs.

There being no objection, the matters were ordered to be printed in the RECORD, as follows:

EXCLUSIVE RELIANCE ON MULTILATERAL CHANNELS

In support of the alternative of placing exclusive emphasis on multilateral agencies, there is evidence that such agencies possess several inherent advantages over the United States bilateral program that enable them to be more effective in achieving the purposes of foreign assistance. One such advantage is that the beneficiary countries are less sensitive about receiving such aid from multilateral agencies and less fearful that their political sovereignty and independence may be compromised. The United Nations agencies are, therefore, more readily welcomed than national agencies with regard to such matters as the formulation of national development programs and the adjustment of trade and fiscal policies. Likewise, multilateral agencies can insist on severe preconditions to aid, with less suspicion of ulterior motives.

In the United Nations programs the less developed countries are donors as well as recipients; they both send and receive technicians and trainees. The greater willingness to see the program move into sensitive areas of public administration and economic development is a corollary of this sense of participation. The program for economic integration in Central America is one example of what the United Nations agencies are doing very well that the United States program probably could not do as

effectively. Closely related to this is the fact that the United Nations policies are not controlled by the political and commercial objectives of a single nation in arriving at decisions on the giving and withholding of technical assistance.

In the recruitment of expert technicians to serve the program, the United Nations has three advantages over the United States program: (1) It can range over the whole world to find suitable people. In such fields as tropical agriculture and tropical medicine, the United States may have fewer experts than other nations. (2) The United Nations can frequently recruit technicians from countries whose conditions are not too dissimilar from those in the countries to be served, and the experts will, therefore, be more familiar with the problems to be solved. (3) The United Nations can attract competent experts from most parts of the world without offering quite as much remuneration as American agencies are compelled to offer.

Two further considerations are relevant. The United Nations program has made greater advances in terms of regional projects that require the concurrent action of several countries. Within the last 5 years, the Expanded Programme of Technical Assistance has initiated many such regional projects, but the regional projects of the bilateral program are still in the planning stage. Finally, there is the hope that habits of cooperation developed in the promotion of economic development will carry over into the solution of political problems.

It is possible, however, to recognize the merits of the multilateral programs without going to the extreme of suggesting that the United States either can or should terminate the bilateral program and place exclusive reliance on multilateral channels. Two major considerations are applicable here: (1) the administrative problem and (2) the financial problem.

First, the point is made that the Expanded Programme of the United Nations is still so new—only 6 years old—that it has not yet put its administrative house in order. To require it quickly to multiply its operations severalfold would create a serious danger of administrative breakdown. The program has no central administrative authority. The Technical Assistance Board coordinates the separate efforts of 6 major and 2 smaller agencies, but it has no direct administrative authority. The resident representatives have recently been given the authority to coordinate at the country level, but they have yet to receive full acceptance from the major specialized agencies. Their coordinating authority extends chiefly to program planning rather than to operations. In many cases, the technicians at work overseas are receiving quite inadequate technical support and guidance from the headquarters of the specialized agencies. The new country-planning mechanism of the program was being tried for the first time in 1956.

The United Nations program has no procedures for making substantial grants for supplies, equipment, and machinery. Its arrangements for introducing joint administration of project activities with the host governments are only in the early stages of exploration. It has not yet developed its own equivalent for the *servicios* (instruments for joint administration), the inter-university contract under which established universities can assist in improving the quality of universities in underdeveloped countries, or the enlistment of the services of private engineering and management firms. The program has yet to provide in most beneficiary countries a permanent core of administration to which visiting short-term experts can be attached.

Second, there is the financial problem. The United Nations program is spending ap-

proximately \$28 million a year, of which the United States contributes about 50 percent. The accompanying table summarizes the financial contributions to the United Nations technical assistance program during the period 1950 to 1956. Transfer of the United States bilateral operations to the United Nations program, without a significant increase in the contributions of other nations, would mean that the United States would pay so predominant a share of the total cost that the program would cease to be truly multilateral. If 1 nation were to pay more than 90 percent of the cost, its influence would presumably be overwhelming and its citizens and officials could not long be expected to refrain from asking for a controlling voice. Most of the other nations could probably not increase their contributions to preserve the ratios that now obtain in the United Nations program without overstraining their treasuries. A marked increase in United States contributions to the United Nations program must therefore result either in a grossly disproportionate payment by the United States to the multilateral program or in a drastic reduction of the total amount available at a time when more funds are needed.

INCREASED RELIANCE ON MULTILATERAL PROGRAM

The alternative of placing greater, but not exclusive, emphasis on the multilateral approach can be based on the considerations cited above both for and against the first alternative. Those considerations stress the advantages, present and potential, of assisting the underdeveloped countries through the United Nations programs. But experience suggests that the United Nations program probably cannot carry the total administrative burden or be adequately financed without straining its international character. There is, therefore, a need for the continuation of the bilateral activity and even its growth in size if events make that desirable. At the same time, there is support for increasing the United States financial contribution to the United Nations program to a much larger annual sum, as large an increase as can be made without damaging the multinational character of the program. Such a proffered increase may also elicit larger contributions from other nations and facilitate the necessary effort by the United Nations to strengthen the administration of the Expanded Programme of Technical Assistance by providing stronger coordination at headquarters and better integration of activities at the country level.

Militating against increased reliance on the Expanded Programme, there is the difficulty of achieving substantial administrative improvement within the next few years, especially in view of the insistence of the specialized agencies on the need for independence from United Nations control. There is also doubt that the funds of the United Nations program can be increased substantially if approximately the present ratio of contributions is to be maintained. And there is the argument that the identity of the United States contribution may be lost in the United Nations program, and gratitude may flow to only the United Nations as the immediate donor.

A recently developed variation on this alternative calls for increased reliance by the United States on multilateral channels by developing a joint programing agency that would prepare broad development programs that both the bilateral and multilateral programs would use as the basis for grant aid, technical assistance, and loans. An important consideration to note here is that the United States could support the creation of such an agency whether or not it decides to increase its financial contribution to the United Nations programs.

This proposal has recently been set forth in some detail, and the full case for it

need not be repeated here.¹ The essence of the proposal is that such a programing agency, preferably organized as an affiliate of the International Bank for Reconstruction and Development, could perform the important functions of investigation, analysis, planning, and surveillance. Such an agency could draw on the experience and staff of the International Bank for Reconstruction and Development. It could formulate and generate acceptance of a set of rigorous criteria for controlling assistance. On that basis, both bilateral and multilateral programs might be less suspect and more effective in insisting on these preconditions. The agency could also help to coordinate the program planning of bilateral and multilateral agencies and thus produce more effective concentration on an agreed program.

Whether such an agency would produce realistic development programs satisfactory to both underdeveloped and developed countries alike is problematical. There is, in addition to the argument that the administrators of bilateral programs should be in control of the planning as well as the operating phases. Directors of bilateral programs may feel compelled to make different programing decisions in many cases from those made by the joint agency. It can be asked, therefore, how much true coordination can be expected to result from this proposal.

There are also grounds for supporting greater use of the International Bank for Reconstruction and Development. The bank has been widely praised for having developed international cooperation in long-term leading with exceptional energy, integrity, and competence. As of December 13, 1956, the bank had made 160 loans totaling the equivalent of nearly \$3 billion to 43 countries. It has also carried on extensive technical assistance operations, including country missions that have produced thorough and useful reports. Of all the multilateral agencies engaged in assistance activities the International Bank for Reconstruction and Development has been the most successful in winning respect and confidence from the United States financial and commercial community.

In general support of the work of the bank, it is also possible to cite many of the advantages of the multilateral approach discussed above. Furthermore, its articles of agreement provide somewhat greater flexibility than is possible in the case of the Export-Import Bank. Whereas the Export-Import Bank provides dollar loans for the purchase of goods and services from American suppliers, the International Bank for Reconstruction and Development can make loans in various currencies and receive payment in the currencies lent. Borrowers can purchase from any foreign bidders who meet their standards.

On the other hand, it can be said that there does not appear to be a need for any increase in the United States subscription to the bank because it already has, or can command, sufficient resources to take care of all requests that meet its present standards. Moreover, it has seemed useful in the past to maintain a bilateral lending program, largely through the Export-Import Bank, which is directly and wholly subject to the political and economic directives of the United States Government and is also in a position to respond more quickly than an institution in which 60 members have a voice. Moreover, not all governments to which the United States might wish to lend are members of the International Bank for Reconstruction and Development. Finally, some foreign governments may not wish to submit their loan requirements to the scrutiny of the

International Bank for Reconstruction and Development, particularly when its membership may include governments that are not on good terms with the petitioning state.

There are also regional organizations through which the United States might work in formulating project plans, in deciding on budget allocations, in improving the quality of daily operations, and in promoting regional projects. The most conspicuous instance of such a regional grouping is the Organization for European Economic Cooperation, which played an outstanding role in the administration of the European recovery program.

Another multilateral channel is the technical cooperation program of the Organization of American States. This program includes no economic aid, and its technical assistance work is confined to operating the seven regional technical training centers already mentioned. Clearly, the Organization of American States program cannot carry any major part of the technical cooperation work now administered in Latin America through the International Cooperation Administration. However, the Economic and Social Council of the Organization of American States is seeking ways to increase and broaden the technical assistance work of the Organization of American States in Latin America. In an effort to avoid the charge that it is dominating the Organization of American States, the United States has probably leaned backward too far; it has not given strong leadership either to the Organization of American States or to its technical cooperation activity.

Another relevant arrangement is the Colombo plan, which is serving as a consultative arrangement for the pooling of views regarding the economic development programs of countries in south and southeast Asia. It thereby facilitates the planning and administration of the United States bilateral assistance programs in the area and simultaneously serves the same purposes for a series of Commonwealth bilateral aid programs among the nations of the British Commonwealth. The Colombo plan has also been able to help materially in promoting mutual supplementation among most of the bilateral and United Nations activities under way in south and southeast Asia. Two smaller regional organizations that engage in some technical assistance activities in their respective regions are the Caribbean Commission and the South Pacific Commission.

ESTABLISHMENT OF A NEW MULTILATERAL DEVELOPMENT ORGANIZATION

Because of the various administrative and financial obstacles that seem to stand in the way of the United Nations expanded program of technical assistance, it has been proposed that a new multilateral development organization be established. It is not feasible to examine the arguments for and against all of the various proposals that have been put forward, but it is possible to summarize at least three major types of suggestions that have been somewhat widely discussed.

One group of proposals would establish a new multilateral agency for the administration of technical assistance alone, leaving loans to be provided, as at present, by the International Bank for Reconstruction and Development. A second group would establish a new multilateral organization for the provision of economic aid through both loans and grants, leaving technical assistance to be provided, as at present, by the Expanded Programme of Technical Assistance of the United Nations. A third group would establish a new multilateral development organization that would provide both technical and economic assistance, and might absorb the present functions of

¹ Max F. Millikan and W. W. Rostow, A Proposal: Key to an Effective Foreign Policy (1957).

both the Expanded Programme and the International Bank for Reconstruction and Development.

The first type of proposal is designed to alleviate one of the greatest difficulties in the administration of the Expanded Programme: the absence of a strong central authority. The Technical Assistance Board coordinates the separate efforts of 6 major and 2 smaller agencies. Of these 8 agencies, 7 are specialized agencies with independent constitutional status. This proposal would call for terminating the Expanded Programme and establishing a single United Nations Technical Assistance Organization, to which would be transferred the funds and personnel now available to the Expanded Programme. The present specialized agencies could continue to administer their regular programs, to which their technical-assistance work has been a major addition since 1950, and the new organization might contract with the agencies for some work in their respective fields. Another possibility would be to merge the specialized agencies with the United Nations, but such a reorganization would be confronted with great constitutional and political barriers. The strongest general arguments leveled against this approach are that it would disrupt the present arrangement, without ensuring any substantial improvement, and it would create a new, independent agency, which might exacerbate rather than ameliorate the present difficulties of coordination.

The second set of suggestions clusters around the proposed Special United Nations Fund for Economic Development. A number of variations on this idea have been suggested to meet the principal objections to it raised from various sources. The Special United Nations Fund for Economic Development, or some organization similar to it, could be established to make both grants and loans available to underdeveloped countries within a broad program for stimulating economic growth. A principal motivation underlying this proposal is the view that loans made by the International Bank for Reconstruction and Development will continue to be made only on strict banking principles and that an agency like the proposed Fund must supplement those loans with others made on more favorable terms, and with grants. This group of proposals would continue the International Bank for Reconstruction and Development and the expanded program of technical assistance, and would establish channels for consultation and coordination between the technical assistance provided by the expanded program and the economic aid to be provided by the Special United Nations Fund for Economic Development and the International Bank for Reconstruction and Development. There has been substantial support for this approach, but it has also been criticized because of the strong voice given to the underdeveloped countries and because of objections to such an expansion of "soft" loans and grants.

The third group of proposals is based on the view that technical and economic assistance are closely related, serve a single set of purposes, and require union within a single, strong, multilateral organization. Such an international development organization might be built around the International Bank for Reconstruction and Development as a nucleus and, according to some versions, could even absorb the functions and funds of both the bank and the Expanded Programme. The new organization could be equipped to assist the governments of the underdeveloped countries both in formulating development plans and in executing them. The assistance could be provided through technical assistance, grants, and loans of various types. Aside from general arguments against the multilateral approach, this proposal is criticized because of

the reasons just cited against the Special United Nations Fund for Economic Development plan and also the objection to combining "hard" and "soft" loan functions within a single agency.

Most of them favor the continuation of such activities, but they are put forward to provide a stronger administrative structure for that part of the total assistance effort that is to be administered through multilateral channels—usually with the hope that it will be substantially increased.

Mr. MORSE. Mr. President, for purposes of brevity, I also ask to have printed here the discussion of the Special United Nations Fund for Economic Development contained in the Stuart Rice Associates Study, appearing on pages 1151-1152 of the Foreign Aid Study.

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

The SUNFED proposal was reviewed by an ad hoc U. N. committee. In response to its survey of governmental opinions, a variety of viewpoints were expressed. In general, the countries which might be expected to apply to the fund for aid were wholeheartedly in favor of it.

This was also true of a number of the smaller European countries, who indicated willingness to make substantial contributions immediately.

The views of the United States have been influenced by the obvious dangers in a fund possessed of necessarily limited resources which would be unable to meet the heavy demands made upon it. On the other hand, there is recognition of an unmet need and a willingness to agree that if the responsibilities of SUNFED were carefully circumscribed, it might serve a useful function.

The United Kingdom supported the SUNFED proposal in principle, but suggested that its establishment should await the fulfillment of the following conditions:

1. A program of internationally supervised worldwide disarmament under the auspices of the United Nations should have been embarked upon.
2. A certain minimum of money should be available to the fund before it embarks on any operations.
3. The membership of the fund should embrace the bulk of the members of the United Nations.

Canada, New Zealand, and Australia took the general position that until the fund can have the support of the large industrial nations, it should not be established. They also pointed out that they already are making heavy contributions to the Colombo plan and the UNTAA. Similar views were expressed by West Germany in the following cogent and well-reasoned statement:

"The Government of the Federal Republic of Germany states that it has again examined the plan to establish a Special United Nations Fund for Economic Development. As is shown by its participation in the World Bank, the technical assistance program of the United Nations and recently, the International Finance Corporation, it is interested in the economic development of countries capable of development. If a new institution—SUNFED—is now to be created in addition to already existing institutions or those in process of being established (IFC), very careful consideration should be given to the question of whether the said institutions could not also fulfill the tasks intended for the special fund. According to investigation so far, this possibility would seem out of the question without amending the statutes of the above-mentioned institutions. Alterations in the statutes could also cause considerable difficulty; but it does not seem impossible that existing institu-

tions such as the World Bank could act as agents in procuring the additional funds required—perhaps in the form of "grants-in-aid" from friendly governments—for important development projects. In this way a connection could be established with the existing national aid programs without the necessity of creating a new organ within the framework of the United Nations. Furthermore, the establishment of the special fund should only be considered provided the participation of the most important world trade countries—particularly the United States of America, Great Britain and France—is assured."

It thus appears that a number of the financially stronger nations have doubts about the advisability of establishing a special fund and about the need to create new instruments for the purposes it would serve. It also appears that the United States holds the key to a decision upon it.

The SUNFED proposal has been developed to fill an important gap among economic assistance programs—a means of financing projects of economic infrastructure types which, although non-self-liquidating, are of basic importance for development in underdeveloped areas. However, whatever the agency to satisfy this need may be, it will encounter strong pressures to finance enterprises of questionable character. SUNFED, as proposed, would not seem to be in a political position to resist such pressures by the application of standards equivalent to those employed by the IBRD in advancing funds for projects expected to produce a direct economic return and be repayable therefrom. We agree with those who regard such standards as essential; and we agree with the West German Government in thinking that the facilities of IBRD and IFC might be so adapted as to place an appropriate mechanism under their overall control. It is significant in connection with this suggestion that voting powers in the administration of IBRD are proportional to the capital subscriptions made to it by its members.

Our skepticism about the desirability of multilateral instruments for economic assistance does not extend to multilateral programs for technical aid. The sums involved are smaller, the character of technical aid is quite different and the project developed are subject to greater and more continuous administrative supervision. The arguments for multilateral vehicles of assistance maintain their force in the case of technical aid without the counterbalancing considerations that apply particularly to large-scale grants and loans. The question here is largely one of the extent to which any one nation—meaning the United States—should contribute a preponderant share of the costs. This question has already been answered by the Congress through its limitation upon contributions of the United States to the United Nations Expanded Program of Technical Assistance to 50 percent of the total.

We regard this decision as an appropriate and sufficient answer to the question whether the United States should expand or contract its participation in multilateral programs for technical assistance. To the extent that these programs continue to demonstrate their value, we would favor American support for an orderly and therefore gradual rise in their magnitude within the limitation named. This assumes further that the present, largely informal, devices for coordination among multilateral, regional, and bilateral programs would be continued and developed.

Mr. MORSE. Mr. President, the key American objection to SUNFED seems to be that we would be expected to put up a major proportion of the capital without having a proportionate share in the determination of its policies. That has been the basic objection to it expressed

in the Senate. Therefore, I think it is a natural alternative to consider an addition to the World Bank that would preserve the multilateral quality of the lending institution and also the traditional features of a banking institution.

It meets the terms of being multilateral both in terms of those who will borrow from it and those who will furnish its capital. The decisions to lend or not to lend will not be based upon political considerations, or the policies currently being followed by the applicant for the loan. I think it is tremendously important that we make some progress in that direction in the distribution of American aid.

There is, of course, much more that could be said and deserves to be said on this matter. In addition to the sources I have already cited on the subject of the channels for economic development, I wish to call attention to the pamphlet *Foreign Economic Policy for the 20th Century*, a report by the Rockefeller Brothers Fund, published by Doubleday.

I shall conclude by saying I look forward eagerly to the findings of the National Advisory Council on International Monetary and Financial Problems on this matter. The entire proposal is directed to the future, and I hope it will prove a feasible and workable addition to the World Bank.

Mr. MONRONEY. I thank the distinguished Senator from Oregon not only for his cosponsorship of the resolution, but for his support and his statement. He has been one of the moving spirits in this matter. I recognize the value of his contribution.

Mr. FULBRIGHT. Mr. President, first I wish to compliment the chairman of the subcommittee, the Senator from Oklahoma [Mr. MONRONEY] for a very fine statement. I shall not detain the Senate very long. He has certainly covered the subject thoroughly, and in a most adequate manner.

Before I discuss the bill I should like to say one word about Mr. Black. I have known him for some time. I regard him as one of the ablest men in Washington, or in the country, in his field. I think he understands the implications of international finance. I will go further and say that I believe he understands many of the political relations in the international field as well as or better than anyone else I know of. I hope that this discussion of his reluctance to come before the committee will not in any way embarrass him. I think he is quite correct in his attitude about not appearing formally as a witness before our committee, because of the precedent which would be established.

Mr. Black has been most generous with his time and effort in consulting unofficially with Members of the Senate and people from various foreign countries. He has rendered a great service in the settlement of the trouble over the Suez Canal; and, of course, everyone knows of the great success of the International Bank which he heads.

I, for one, agree with his position. I suggest that at any time our own representatives on the Bank board are avail-

able; there would be nothing wrong about calling the Secretary of the Treasury, Mr. Anderson, who is the United States Governor of the Bank, or the Assistant Secretary of the Treasury, Mr. Coughran, who is United States Executive Director of the Bank, for official testimony on these same subjects. These officials did testify before the Subcommittee on International Finance on Senate Resolution 264.

I urge that the Senate adopt Senate Resolution 264, the Monroney resolution.

Senate Resolution 264 calls on the National Advisory Council on International Monetary and Financial Problems to study the establishment of an International Development Association through which the nations of the world might make long-term, low-interest, development loans, repayable in part in local currencies.

The resolution suggests that this association should be affiliated with the World Bank—it suggests, but does not require it—in order to get the benefit of the experience of that organization. It also suggests the possibility of using foreign currencies available to the United States and other countries.

The need for development in the many underdeveloped areas of the world is generally accepted. Many agencies have already been established for this purpose. The real question is whether the kind of agency proposed in the resolution would merely duplicate the functions and services of some other agency.

The kinds of loans to be made—long term, low interest, second mortgage loans, repayable perhaps partly or wholly in the currency of the borrower—are similar to those now being made, or which can be made by the Development Loan Fund. In this respect, therefore, there would be some duplication.

However, there would be this important, and to me essential, difference:

The association would be an international organization, like the World Bank or the IFC, into which many countries would contribute, not just the United States.

This would have two advantages: First, it would enable the other industrial nations of the world, many of which have been put on their feet again by Marshall plan or other United States aid, to lend a helping hand in their turn; and, second, it would spread the responsibility for the loans among many nations.

The World Bank, the International Monetary Fund, and the IFC already are engaged in this sort of international activity, but they do not make this kind of loan. The IMF is limited to short-term loans to meet temporary foreign-exchange problems. Its primary purpose is to meet the problems arising from short-term imbalances in international payments.

The World Bank makes only first-mortgage loans, guaranteed by the country or its central bank, and repayable in the currency lent, usually a hard currency. The IFC makes relatively small investments in individual industrial or commercial projects.

There is no international agency which makes these long-term, low-interest loans. I believe there may well be a need

for such an agency, and I therefore urge that this resolution be adopted.

In urging the passage of this resolution, I do not want to give the impression that the kind of an association suggested in it would solve all the development aid problems of the world. Far from it.

I certainly do not wish to leave the impression that the soft currencies owing to us can accomplish very much. Convertible currencies are necessary in international lending. Therefore I do not wish to overemphasize the usefulness of unconvertible soft currencies. I believe they may have a part in the program, but primarily the currencies to be used in the program will be the convertible currencies. Many countries whose currencies are normally soft, in the sense that they are not convertible generally, often make special arrangements whereby their currencies are convertible.

I do not believe the proposed organization would do away with the need for any of the existing agencies in the field, at least in the foreseeable future. It would, at best, only supplement the existing agencies, and private capital from local and foreign sources.

The development of these many underdeveloped areas will not be the result either of the capital or the advice given by this or any other outside institution. The development of any country can only come from the initiative, the energy, the wisdom and the sacrifice of the men and women who devote their money, their time, and their effort to this development. An international development association can help such people make the most of their efforts.

I should like to emphasize also, in urging the adoption of this resolution, that it is only a request to the executive branch to explore the possibility of an international development association—to explore it within the departments and agencies of the United States Government which have knowledge in this field, and to explore it with other governments, particularly with the governments of other industrial nations.

Passage of the resolution is only a first step. If the study of the proposal within the United States Government and with other governments, leads to a favorable conclusion, then it will be necessary to enter into an agreement with other interested governments, and for the whole project to be submitted to the Congress in the form of legislation authorizing United States participation in the association and providing funds for it.

Mr. MONRONEY. Mr. President, will the Senator yield?

Mr. FULBRIGHT. I yield.

Mr. MONRONEY. I wish to express my deep appreciation to the Senator for his help and leadership in connection with the resolution, as he has shown in the case of so many other foreign lending matters. His cooperation in scheduling hearings and guiding the resolution through the committee gave us a chance to consider it at this time, thereby perhaps saving from 6 to 8 months which otherwise would have been lost. Through the leadership of the Senator from Arkansas, we reached agreements

which satisfied the demands of the administrative agencies involved. It is a great privilege to serve with him on the Committee on Banking and Currency.

Mr. FULBRIGHT. I thank the Senator for his kind words. Of course my contribution was very nominal. The Senator from Oklahoma did the real work on the resolution and in exploring the whole subject. I emphasize that while he has done a great deal of work, and while the resolution should be adopted at this time, we are only taking the first step in a long process. There still remains a great deal to be done before the matter can be brought to fruition.

Mr. CAPEHART. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The Secretary will call the roll.

The legislative clerk proceeded to call the roll.

Mr. CAPEHART. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CAPEHART. Mr. President, I ask unanimous consent that the yeas and nays be ordered on the question of agreeing to the resolution.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Indiana that the yeas and nays be ordered on the adoption of the resolution?

Mr. FULBRIGHT. I have no objection, but I think it is an unexpected request.

Mr. CAPEHART. I withdraw my request.

Mr. FULBRIGHT. I have no objection to it myself. I do not object.

The PRESIDING OFFICER. Does the Senator withdraw his objection?

Mr. FULBRIGHT. I have no objection to the request.

The PRESIDING OFFICER. Does the Senator from Indiana wish to offer an amendment?

Mr. CAPEHART. No. I withdraw my request for the yeas and nays. I shall ask for them later. I yield the floor.

Mr. BRICKER. Mr. President, I wish to make my position perfectly clear on this resolution. To my mind it is merely another plan to spend the American taxpayers' dollar. All we need to do to recognize the devaluation of the American dollar is to look at the price tag on almost any article money will buy. The American dollar has become less and less valuable over the years. The Federal Government already has a deficit this year, and there will be another deficit next year. Therefore there will be further depreciation in the value of the American dollar.

Our dollars have been thrown around the world by various organizations. Some of them have been utilized effectively, and some of them have been utilized in ways which are less than useless. There are already established the International Bank, the Export-Import Bank, the International Finance Corporation, the International Monetary Fund, and the Development Loan Fund. Now we are asked to authorize the utili-

zation of American taxpayers' money to the extent of some \$300 million on long term, 40-year, 2 percent loans.

The only motive back of this proposal, that I know of, is the interest of the International Bank to make more good loans. If this organization, created to supplement the efforts of the International Bank, is permitted to make long term, soft currency, low interest rate, unsecured loans, then, according to the word of the International Bank leadership, it will be possible for them to make more sound loans. So this is an open invitation for the reckless use of the money of the American taxpayers. It will further depreciate our currency. This proposal, in my judgment, will lead to international complications rather than to international good will.

The United States now is carrying the full load of many of the international lending organizations. Much of the money is secured, and much of it is unsecured at present.

We are dealing here with the money of the American taxpayers. I have been called upon by certain officials who are interested in the creation of this organization. I have said to them that I consider that I have a trust relationship to the citizens of this country, who are already taxed beyond their ability to pay, in many instances. We hear daily of instances of taxpayers being driven to the wall, almost, because of the efforts of the Federal Government to collect its share of their income.

Today, the average portion of the taxpayers' money which is taken by the Government of his country is about one-third. For that one-third of his life's working time, he is not a free citizen; he cannot use his income as he sees fit, for his own good, for the good of his family, or for the things for which he voluntarily wants to use it. The Government takes that part of his income. So he is really bonded to the Government for about one-third of his working time. As the Senate well knows, the Government takes up to 91 percent of the income of individuals in the higher brackets.

So the American taxpayer is already taxed almost beyond limit. His patience has been stretched almost beyond its ability to return.

We are taking money out of a deficit financed program today and are simply adding to the deficit. This will require that the debt ceiling be raised and will require that the taxpayers put up the money for utilization in particular projects, which, in the judgment of the international organization, are needed.

I may say, in passing, that Russia will be invited to join. It is the American taxpayers who will furnish the \$300 million which is proposed to be contributed by the United States.

The complaint has been made by international financial interests, and it has been repeated on the floor by the proponents of the resolution, that those who borrow from us would rather borrow from an international bank. They would be the happy stockholders of such a bank, and this would make a difference in their attitude toward the United States taxpayers.

Any country which is interested in its own development will not be so sensitive, so peculiarly affected, as to resent a country which lends it money. If it is, they ought not to have the money in the first place.

The American taxpayer is the one I am trying to represent in the Senate. I took an oath to do that. I will not violate my responsibility and trust relationship to him by supporting a fantastic scheme such as this one.

It was said a moment ago that Mr. Black could not come before the committees of Congress because he felt that he was an international representative, and that if he came here, he would have to go before the legislative bodies of all the member countries. This is a rather strange attitude for the president of the International Bank to take. I remember one time when Mr. Black came before the Committee on Banking and Currency. That was when he wanted something. What did he want? He came before our committee and asked that we authorize national banks to invest in the securities of the International Bank, of which he was then a director representing the United States. When they want something, they come to the committees of Congress and ask for it.

I shall never forget the hearing where Mr. Black testified. I have tried to find a copy of the testimony, but I am told now that the hearings were not printed by the Committee on Banking and Currency. I do not know whether Mr. Black secured the consent of the Committee on Banking and Currency not to have the hearings printed or urged the committee not to print them. However, I very definitely remember his coming before the committee and asking that the national banks be authorized to purchase the bonds of the International Bank.

In his testimony before the committee, Mr. Black said that the International Bank had also gone to the State legislatures and asked that the States authorize the investment of trust funds and fiduciary funds in the same securities.

Then he made a remark about my State. It was to the effect that some hick in the Republican legislature of my State got up and opposed his proposal on the ground that in Ohio it would be illegal to invest trust funds in such securities.

Furthermore, a year later Mr. McCloy, then president of the International Bank, came before the Banking and Currency Committee and supported a similar request.

However, when they do not want to face cross-examination, when they do not want to answer questions as to the real purpose or intent of their proposed legislation or request, they hide behind their international relationship.

The International Bank is utilizing several billion dollars of the American taxpayers' money. The taxpayers of the Nation are entitled to know where and how their money is being used. In my judgment, Mr. Black is no more exempt from testifying to the facts of what he is doing with the American taxpayers' dollars than is any official of the United States Government.

This resolution proposes to create another type of the International Bank, so that the questionable part of the loans will be jointly secured by a so-called international fund.

It might be said that it is not important to oppose this study resolution, but it is important. I have seen many similar proposals in the past. They usually result in the creation of an agency. Propaganda is carried on. The exponents of using the money of American taxpayers for almost all kinds of international financing come before us and make a record. The proposal comes before the Senate, where its adoption is urged, because of the pressure of the administration or the suggestion of the International Bank that it will help in international relations. We are told that, somehow, the proposal will build up good will. But good will has not been built up to this day by the \$62 billion of the American taxpayers' money which has been spent abroad.

Now it is said that the United States must meet the Russian low-interest, long-term loans. Russia has actually put up perhaps \$1,500,000,000 in long-term loans. Yet the United States, which has already made grants and loans to the extent of \$62 billion, has not been able, in the judgment of the protagonists of this cause, to offset the international good will which has been created by the Russians.

We cannot solve the international problems of this day by the utilization, in this questionable lending proposal, of the American taxpayers' money. The United States must take a firm position among the nations of the world and stand by that position.

I am not impressed by the propaganda which has been carried on by the International Bank and, perhaps, by some of the officials of the Government in measures of this kind.

I was at the dinner mentioned a moment ago. I heard Mr. Black lobbying among the members of the Committee on Banking and Currency behind closed doors. He was not subject to cross-examination on the record. He was unwilling, obviously, to put his statement on the record. But he was seeking to use the money of the taxpayers of the country in a fantastic scheme to finance projects in other countries, without adequate security, and at low interest rates. He was unwilling to appear before the committee so that he might be questioned by the Members of Congress. I do not like that kind of procedure. I do not think the money of the American taxpayers ought to be used in that kind of program.

The amendment of the Senator from Indiana ought to be supported. The resolution, in the first place, is unnecessary. In the second place, it is unsound. Because of the secrecy which has attended it and the propaganda in favor of it, I think the whole resolution ought to be rejected until the American taxpayers can know what is being done with their money. The resolution should be defeated. It is only one more step in the program of international confusion

and waste of American dollars and waste of the assets of the American people.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MONRONEY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

Mr. BRICKER. Mr. President, reserving the right to object, let me say it is my understanding that the Senator from Oklahoma intends to request that certain matters be printed in the Record, and then again to suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. ALLOTT in the chair). The Chair calls attention to the fact that at this time debate is not in order.

Mr. BRICKER. But I have reserved the right to object.

The PRESIDING OFFICER. The Chair is informed that while a quorum call is in progress, debate is not in order. Without objection, the order for the call of the roll will be rescinded.

Mr. BRICKER. Then, Mr. President, I ask unanimous consent that the matters to be submitted by the Senator from Oklahoma may be printed at this point in the Record.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MONRONEY. Mr. President, inasmuch as my purpose in rising has been met by the appearance on the floor of certain Senators who wish to speak at this time in regard to the pending resolution, I shall postpone making the requests.

I yield the floor.

Mr. HUMPHREY. Mr. President, I am very much pleased to be able to participate in the debate on Senate Resolution 264, submitted by the Senator from Oklahoma [Mr. MONRONEY], for himself and other Senators.

It is my privilege to be among the sponsors of the resolution; and during the months of its consideration, since the resolution was originally submitted by the Senator from Oklahoma, I have had the privilege from time to time of having had printed in the CONGRESSIONAL RECORD editorials and memorandums in support of the broad objectives of this proposal.

Mr. President, as all of us know, the resolution relates to the organization of an International Development Association. The Senator from Oklahoma has called it a sort of world piggy-bank. It would be an internationally financed effort to have our Government utilize foreign currencies. It would be an internationally financed effort to provide for the underdeveloped areas of the world, and would go far beyond what presently is provided for by means of the World Bank or by means of our own International Development Loan Fund, in connection with mutual security.

The resolution is, of course, a study proposal. As the report on the resolution points out—

Senate Resolution 264 recommends that prompt study be given to establishing an International Development Association to

make multilateral development loans at terms more liberal than those currently available.

Mr. President, I believe that in that sentence the purposes of this particular proposal are fully described, and also that in that sentence we find an indication of the weakness of the present International Development Loan Fund situation. Let me consider this sentence for a moment. It says that this resolution has been designed to recommend a prompt study for the establishment of an International Development Association to make multilateral development loans.

It is all important that the financing of capital projects in other countries be on a multilateral basis. The United States of America cannot alone provide the capital which is required for industrial development in many countries throughout the world, or for the development of capital projects for the public good.

I should like to concentrate my attention for a moment upon the Middle East. Surely, our policies in the Middle East have been a dismal failure—that is, if we have had any ascertainable policy. One of the weaknesses of the policies we have pursued in the Middle East is that we have tried to go it alone. We have had our own foreign aid program. We have had our own international development loan program. We have had our own technical assistance program. We have injected ourselves into the middle eastern areas—areas that are filled with bitterness and with complexities of political and social problems, areas that have historic enmities. We have gone in there on our own, on a sort of solo flight, in an effort to give political and economic stability. We have not been successful.

Mr. President, some time ago I had recommended, in a report to the Senate, as a result of my services in the United Nations as one of our delegates, and as a result of a rather careful study of the economic and political problems of the Middle East, that we proceed to give encouragement to and leadership in the creation of a Middle East Development Agency under the auspices of the United Nations. I still feel it is a sound proposal.

I am happy to note that others also think so. The Italian Government has demonstrated its interest in such a multilateral Middle East Development Agency. The Canadian Government demonstrated its interest by the statement of its own representative at the United Nations. The Government of Japan has indicated its interest, as have the Scandinavian countries.

I think it is not only economically indefensible, but politically it is equally indefensible, and, even more significant, it is politically irresponsible. For the United States of America to try to be the judge and the arbitrator all over the world, as well as the banker, is to get into more and more trouble with less and less accomplishment. What we need to do is learn how to share both privilege and responsibility. We need to learn how to organize with others for common purposes.

What the proposal of the Senator from Oklahoma [Mr. MONRONEY] would initiate is a study of an International Development Association on a multilateral basis, for the provision of loans, for long periods, at low rates of interest.

Nobody who has studied the international economic scene will disagree that such a study is desperately needed. The present financial institutions we have, such as the International Monetary Fund, the World Bank, even our own Export-Import Bank, our own Development Loan Fund under mutual security, big as they are, are inadequate to the requirements.

The Senator from Oklahoma is suggesting, further, that we utilize the soft currencies we have accumulated as a result of our so-called Marshall plan operations and our Public Law 480 agricultural sales, for the purpose of long-term loans for capital-improvement projects in areas of the world where the present international banking facilities are inadequate to meet the needs.

I have said to the Senator from Oklahoma privately, and I say it publicly, that I consider his proposal as the single most constructive proposal in the field of international policy which has been offered this year, or, so far as I can remember, since point 4 or the Marshall plan. We are all indebted to him. He has demonstrated vision, he has demonstrated perseverance, and he has demonstrated an understanding of what goes on in this world, which is, indeed, rather unique in this day and age, and surely is in some areas of Government.

I said it seemed to me that this particular project, if it should come to fruition, could have a decidedly beneficial effect upon an area of the world which is close to us today in terms of our interest and deep concern, namely, the Middle East. But I do not want to indicate by my statement that the Monroney proposal is related only to the Middle East. It is a worldwide proposal.

Of course, the resolution which is before the Senate calls for an extensive and intensive study. The language of the resolution is revealing. I think it is self-instructive. The language reads:

Recognizing the desirability of promoting a greater degree of international development by means of multilateral loans based on sound economic principles, it is the sense of the Senate that prompt study should be given by the National Advisory Council on International Monetary and Financial Problems with respect to the establishment of an International Development Association, as an affiliate of the International Bank for Reconstruction and Development.

In order to achieve greater international trade, development, and economic well-being, such study should include consideration of the following objectives:

Then it lists the necessity of—

Providing a source of long-term loans available at a reasonable rate of interest and repayable in local currencies, or partly in local currencies.

It also lists the necessity of—

Facilitating . . . the use of local and other foreign currencies—

Which we have in our possession. Finally, it lists the necessity of—

Insuring that funds for international economic development can be made available by a process which would encourage multilateral contributions for this purpose.

Mr. President, a year ago I urged in the Senate Foreign Relations Committee that there be obtained a full tabulation and accounting of all the foreign currencies in the possession of the Government of the United States. We were finally able to get that accounting, but, I may say, it was not easy. The accounting was made, and the currencies run into the billions of dollars.

I am aware that it is always easier to use good old American dollars than it is to utilize soft currencies, or the currencies of other countries, but I respectfully suggest that it is possible to utilize the currencies of other countries if there is a will. When there is a will there is a way. We can do that also in the operations of our own Government.

When I think of the depreciation of the value of the currencies in our possession because of inflation and the failure of the agencies of the American Government to utilize those currencies, I say it represents one of the greatest losses and one of the greatest wastes this country has experienced in recent years.

I have given a good deal of attention to the question of the accumulation of currencies under the terms of Public Law 480. I believe I know something about it. I say that those currencies can be more readily and more properly used than they are being used at the present time. One of the ways really to promote the effective use of the currencies for the objectives of American foreign policy, which objectives should be peace and security in the world, is through an organization such as an International Development Association.

Finally, Mr. President, as I emphasized earlier, I am deeply concerned about the area of the Middle East. As I see it, there are three alternatives with respect to the Middle East. One of the alternatives is not American domination, unless we want to become an outright imperialistic power. One of the alternatives is not the resurrection or the restoration of British power. That is a vain and false hope and should be cast out immediately as being worthless. Another one of the alternatives is not the restoration of French power. That is beyond any possibility of successful accomplishment, even if it were desirable; and it is not desirable.

What are the three alternatives with respect to the Middle East?

One possibility is Communist domination, and that is not too remote a possibility. It could happen quite readily because of the sheer proximity of the Soviet Union to the Middle East. Any one who is a student of geography knows that the Soviet Union has a territorial proximity to the Middle East far closer than ours. We also know that the Soviet Union has been at work on the Middle East, through political infiltration, through subversion, through propaganda, through exchange of persons,

through a technicians program, through capital loans, through grants and through military aid. That is one possibility—Communist domination. I do not believe our country would tolerate it for a moment. I hope not, because if the Soviet Union should control openly and rigidly the Middle East then it would stand astride the great crossroads of the world, and dominate the commerce between Asia and Africa and Europe. Indeed, the Soviets would then control one of the most strategic areas of the world. This would be a major defeat for the Free World.

What is the next possibility? Another possibility is the rampant nationalism which is mobilized by what we call Nasserism. Nasser, the President of the United Arab Republic, is a symbol in the Middle East. Sometimes we find ourselves not liking some of the developments under that symbol, but we should make no mistake: Nasser is a powerful figure in the Middle East. He is a political leader in the Middle East. He is becoming a man of almost legendary importance to the peoples of the Middle East. With the tide of nationalism running high, there has been a new dimension added, and I call it Nasserism, which is more than nationalism. Nasserism is a nationalism which is being utilized and directed for the imperial purposes of Mr. Nasser. That is not a desirable alternative for the Free World, either, or for the Arab people.

Mr. MALONE. Mr. President, will the Senator yield?

Mr. HUMPHREY. I will yield in a moment.

The third alternative, Mr. President, with respect to the friendly states in the Middle East, is what I would call a kind of positive neutrality. I believe this is what we can hope for, what we ought to work for, and perhaps the best we can get. When I say, "we can get," I mean this would be best for the world. Surely we do not want a Soviet police force in the Middle East. I hope that we do not want the legions of Nasser in domination of the Middle East.

I say most respectfully to my fellow Americans that the issue today is not American forces in the Middle East, but how to get them out. How will the American forces withdraw from the Middle East, without our country disgracing itself and without leaving a complete vacuum in the area because of our intervention, a vacuum which could, perhaps, collapse?

Mr. President, what we ought to seek is a kind of neutrality in the area, which lends itself to vigorous, progressive economic development, to the improvement of political and social institutions, to the expansion of education and to the enhancement of the health and welfare of the peoples of the area.

What we ought to be engaged in, Mr. President, is a development of policies through the United Nations, in the developing of a foreign policy for the Middle East on a multilateral basis, both economically and politically. It is in this area an international development association would fit in beautifully. There

could be multilateral participation, multilateral responsibility, and multilateral contributions for the financial needs of the area, with the United States of America no longer acting as if it were the banker, the expert, the political moderator, and the leader. In such an organization we would share with others, urge others to cooperate, and basically call upon the people of the area to help themselves. We could do this by helping with the financial and structural means of doing what is needed for the area.

Mr. President, I am happy to support the proposal of the Senator from Oklahoma. As I said earlier, it is one of the bright lights and one of the rays of hope of the present time. I am surprised at the kind of intellectual sterility which seems to grip this Government—a sense of fear and timidity, a lack of vision at a time when the world is looking to us for vision and for leadership.

I am grateful to the Senator from Oklahoma because of the fact that he has at least shown the way in one area. The Senator from Oklahoma has provided a means for utilizing the resources which are at our command.

Mr. MALONE. Mr. President, will the Senator yield?

Mr. HUMPHREY. I am happy to yield for a question.

Mr. MALONE. I would not interrupt a theme of that kind except to ask a question.

VALUE OF FOREIGN CURRENCIES MANIPULATED
IN TERMS OF THE DOLLAR FOR TRADE ADVANTAGE

I heard the distinguished Senator's dissertation relative to the use of foreign currencies. I should like to ask the Senator if he knows that practically all the foreign nations manipulate the price of their currency in terms of the dollar for trade advantage and generally higher than the market price, which makes it impossible to have a free interchange of currency in the market place.

Mr. HUMPHREY. I am fully aware of that.

Mr. MALONE. Mr. President, if the Senator will further yield.

Mr. HUMPHREY. I am happy to yield.

Mr. MALONE. I preface my question by saying that the only way we can have an equal in terms of interchange money value now is to buy with dollars or send goods to the foreign countries, take their money in payment, and then spend their money in their country which is just another way of giving the American taxpayers' money away.

Mr. HUMPHREY. I do not agree with that.

Mr. MALONE. The trouble then is caused by the fixing of the price of their money in terms of the dollar by such foreign nations, higher than the market price, so that there can be no equal interchange; therefore we cannot take the foreign currencies in payment for commodities, for use at their face value to buy products from the particular country or any place else.

Mr. HUMPHREY. It is true that there are generally two values fixed for foreign currencies; one for purposes of

international exchange, and one for domestic purposes.

Mr. MALONE. There are generally more than two—mostly they have a special value for each particular purpose—always to their own advantage.

Mr. HUMPHREY. At least there are two, I will say to the Senator. That is what has complicated the international financial structure very much; there is no doubt about it.

What I attempted to say a moment ago was that the proposal which the Senator from Oklahoma has offered would make it possible for us to find, first of all, a marketable use for the foreign currencies which are already on deposit to our account, moneys which are not gaining us any interest, moneys which are not yielding us any dividends, and moneys which, in fact, at times lose their value through depreciation or through the management of the currency and the devaluation of the particular unit of currency. The Senator is familiar with that process.

Mr. MALONE. That is not the way we use the money which it is proposed to spend in foreign countries. We get nothing out of the commodity we have sold for foreign currency except the privilege of spending the money on foreign soil, eventually getting no return value for our taxpayers.

Mr. HUMPHREY. There is merit to the suggestion that we ought to spend the money where it can be expended profitably and for good purposes, in countries in which we obtain the currency. I have so recommended. I have said a number of times that some of the currency we accumulated in Spain as a result of the sale of American agricultural products could well be used in the building of apartment units, housing for American personnel in that part of the world. Undoubtedly certain products could be acquired. We ought to use the money as constructively as possible. But the proposal before us would offer yet another way to use it, that is, to use money for purposes of capital loans. I have noticed that those who know how to use money as a commodity in business seem to make more money than people who know how to use commodities. That is why it is frequently said that bankers are among the most well-to-do people in the world. They deal in money rather than chewing gum, tires, potatoes, or automobiles. They deal in money, and they are able to make money on money.

Mr. MALONE. European nations know how to manipulate the value of money to their advantage. They know the effect of shading tariffs to force the movement of American investments and plants to their own soil. There is nothing in this proposal which would profit the United States, except for the privilege of spending additional money where we shall never get any of it back. Is not that true?

Mr. HUMPHREY. No. I think this proposal has something to commend it to everyone.

Mr. MALONE. Commendable charity perhaps?

Mr. HUMPHREY. No; it is much more important than charity. What this proposal has to commend it to the attention of every thoughtful citizen is that it lends itself to the building up of the economic base of countries which today need that kind of progress.

There will be no peace in the world unless countries are permitted, through their own effort and through the use of moneys to finance the industrial development and economic life, to develop economically. We might as well make up our minds to that.

Let me say to my friends who are strong believers in capitalism, as the Senator from Minnesota is, that the only way capitalism will survive is through the use of capital. It is nothing short of outrageous that today we find ourselves harassed by the Soviet Union, the Communist state. On the one hand, a country which does not have the industrial production we have parades around the world as though it were a leader in the field of industry. It gets by with such an attitude primarily because of our unwillingness to come to grips with its challenge. The Soviet Union challenges us on the economic front, when we are the most powerful Nation in the world in terms of capital.

I wonder how many Americans realize that our country has 50 percent of all the capital of the world, and finances less than 5 percent of world trade. On the other hand, the British have 5 percent of the capital of the world, and finance approximately 50 percent of the trade.

Our problem is not lack of resources. It is not lack of material. It is not lack of talent. It is lack of will, lack of purpose, lack of leadership. That is why I am supporting this particular resolution. I think it represents constructive, thoughtful, imaginative leadership. That is what is needed at present. We are not short of the materials to build a better world. We are short of a design and a sense of direction and the leadership to get the job done.

Mr. MALONE. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. MALONE. There is one slight difference between the way England financed colonial countries for three centuries, and the way in which we are now doing it. The British always make a profit. We give it away.

Russia is in the same category. They get their money back with a profit. We are the only pure philanthropists when it comes to our taxpayers' money—with no return requested or expected. It is purely international socialism.

Mr. HUMPHREY. I respectfully suggest that the proposal before us is not a giveaway. It involves loans, repayable, with interest. The greatest inventor in the world was the man who invented interest.

Mr. MALONE. It is a great idea, except we do not get it. That is the history of all of our international manipulations of our own people's money; it always results in greater debt and more appropriations.

I should like to ask one further question.

If the nations of the world were to allow their currencies to reach their level on the international exchange, could we not take their currency in payment for anything we sell them—grain or anything else—and then buy from them, with their own currency, the materials we need? But we are forced to buy such goods with dollars, and then lend further dollars, expending any return from such loans of their money in their country. So we get no return of any kind whatsoever.

We did not learn the lesson from England or Russia. But if all nations allowed their currencies to hit their level on the world exchange, could we not take their currencies in payment for anything we sold them, and then spend them? Does not the Senator remember the great "dollar shortage" slogan which cost a lot of money? We still have it. Unfortunately, we are the ones who have a dollar shortage now, and no one seems anxious to help us.

Mr. HUMPHREY. I am always intrigued and interested by the fact that we Americans always seem to be set upon and taken advantage of by those in foreign lands. But we have a split character. On the one hand, we like to pride ourselves on being such a great, brilliant, powerful Nation. I have heard many ringing speeches in this Chamber about the power of the United States and the genius of our people, all of which I believe.

However, within a 24-hour period we hear how we are always outmaneuvered, outbid, outfigured, by the very people we were superior to the day before. It so happens that, despite the fact that we have been very generous and have given away a great deal, we seem to have more left over than the people who receive our gifts. The rest of the world is poor. We are not as well off as some of us would like to be, but compared with the rest of the world, we look rather well, and in good condition. Even instances of down-right poverty in America look fairly well off compared with the poor of other lands.

But I do not wish to compare American standards with others. We have the right to set our own standards. We ought to judge ourselves on the basis of our own standards and requirements.

Whether we like it or not, we are in a competitive world. We are not competing with friends. We are competing with enemies, or at least potential enemies. The gauntlet has been thrown down. The economic challenge has been made. The Soviet Union intends to push and press us. I am one of those who would like to accept the challenge, and welcome it.

I am of the opinion that if we but apply ourselves to this task of economic development in the world we can win hands down. Our problem is not that we do not know how to win, not that we do not have the materials with which to win. Our problem is that we spend so much time quibbling about what we are going to do that we never get on with the job. Until we know what we

want to achieve, until we have the will and the purpose to make sacrifices for such achievement, until we have leadership which can chart the course and inspire the people to victory, there will be no success.

I support this resolution because I think it represents new thinking. If there is any one thing the country needs right now it is new thinking. Many people have said that our country is the victim of soft living. That is not true. We have some hard living in this country—sometimes too hard. We are the victims of soft thinking. That is our difficulty. It is our unwillingness to face the problems and find the answers. We prefer to sidestep them, or pretend that they do not exist. We try to pretend at times that if the problems exist, they have been caused by evil men. We do that, instead of trying to get at the problems and analyze their causes and find solutions and apply the appropriate treatment.

That is particularly characteristic, unfortunately, with respect to the very serious critical situation which faces us in the Middle East today. That is an area in which we have refused to come to grips with any of the problems there. It is where we have sought to find firm allies. There are no firm allies in an area where there are governments of an aristocratic ruling class. It is an area where we have sought to build alliances upon the shifting sands of the Arabian desert.

What we should have been doing was to try to understand the forces at work. What we should have been doing was to try to find a way of directing the passions and energies of those people into constructive paths. What we should have been doing was to try to build a situation in which there would be friendly states and friendly people. Instead we have been dealing with corrupt monarchs, a feudalistic system, kings, and sheiks, who no longer represent their people, or the aspirations of their people.

I submit the greatest mistake America can make is to become the Metternich of the 20th century. In that connection we should recall in history that in the 19th century there was a prince of Austria who decided he would hold back the tide of the French Revolution. His name was Prince Metternich. The aristocrats of his day and the monarchs of Austria, Prussia, England, and Russia decided that they would hold back the spirit of liberty, equality, and fraternity. They formed a great alliance. It is true that from 1815 to almost 1848 the so-called Metternich system kept the lid on Europe. It did not do so completely, because there were always sporadic outbreaks. It is also true that from 1815 to 1848 every nation in Europe experienced revolution.

The system which Metternich thought would be preserved, was destroyed. Why? It was because of the failure to think anew, because of the failure to understand the social and political forces at work, because of the failure to appreciate the fact that an idea cannot be destroyed by an army, because of the failure to understand that some-

thing was happening in the world. It was the uprising of the people, who wanted to be heard and who wanted to have something to say about their destiny.

I hope our great country will not, in its wealth, in its power, and in its essential conservatism of the moment, become the Metternich of the 20th century. If it does, it will be damned to the same disaster and the same shame of Metternich of the 19th century.

The proposal before us is a repudiation of that kind of old, antiquated, hopeless thinking. It is for that reason, although it is only a study proposal, and while it does not establish the financial structure, the proposal is a ray of hope in a night of darkness; at least it is the germ of an idea at a time when the field seems barren.

I compliment the Senator from Oklahoma. I am proud to be associated with him. He has done a great service for his country and for the world.

Mr. MONRONEY. Mr. President, I should like to express my appreciation for the support and encouragement of the distinguished Senator from Minnesota and his cosponsorship of the resolution. He is not only a leader in foreign relations, but he is also the father of the agricultural disposal plan which has accomplished so much. His speech has been the most inspiring one that has been made on any foreign policy matter. I am sure he agrees with me that, while we spend tens of billions of dollars for weapons of greater and greater horror, the cold war will finally be won with bread and butter, not with bombs. If we neglect the economic front, no matter how many big bombs of new terror we possess, we will still lose the struggle to win the hearts and minds of the billions of uncommitted people who are looking for a ray of hope, so ably described by the distinguished Senator from Minnesota. I appreciate his encouragement. I believe he was the very first, or perhaps the second Senator, after publication of the proposal, who came forward to support and advise and to help formulate the ideas which today are before the Senate for consideration.

Mr. HUMPHREY. I am sure the Senator from Oklahoma has placed in the Record the views which have been expressed internationally in support of the general principle of the proposal which the Senator is offering. Every foreign journal which I have been privileged to read supports the idea of multilateral economic assistance and multilateral economic development. I wanted very much to be on the floor of the Senate when the Senator brought forth his proposal for Senate action. My plea is that we join with others in the economic program, that we do not try to act alone, that we give the American people the assurance and reassurance that we wish to share with other countries, and that we call upon other countries to participate with us—our NATO partners, for example.

If there is one area in the world in which we should be able to win friends and make an impact, it is in the area of economic development. We know that

area. We understand it. We are people of economic development. It is an area in which the Soviet Union cannot possibly outstrip us if we make up our mind to do something. The Soviet Union can build bombs. They have the ability to build intercontinental ballistic missiles. They have horrible weapons of destruction, and know how to build a society composed of terror and fear. They are the architects of such a society. However, they do not understand how to build, nor do they have the resources with which to build, a society based upon abundance and plenty and opportunity.

While it may be going too far to say that the proposed International Development Association can do all that, at least it is the path toward progress, toward the better life, toward constructive improvement. This is what our country has been identified with. I say with the greatest sincerity and deepest feeling that my concern is that we are getting off the main highway of human progress and that perhaps we are down in the ditch. We must get back on the main highway. I thank the Senator for his untiring efforts.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment.

Mr. CAPEHART. Mr. President, the unfortunate part about the pending resolution and the unfortunate part about the speeches which have been made is that they try to leave the impression—and the speeches try to fill the RECORD with the idea—that there is something new in the proposal, and that it will solve the economic problems of the world. Likewise, those who have spoken in favor of the resolution have tried to leave the impression that the United States always goes alone. Let me give the Senate the record of the United States so far as multilateral arrangements are concerned.

First, we are members of the United Nations. Second, we are members and the largest stockholder by far of the International Bank. Third, we are a member and the largest stockholder of the International Monetary Fund. Fourth, we are the largest stockholder and member of the International Finance Corporation. It is a fact that we own the Export-Import Bank and that we own the International Development Loan Corporation.

We are members of NATO, which is certainly not a bilateral organization. We are members of SEATO, which likewise is not a bilateral organization.

But there are those in the Senate today who would leave the impression that we always go it alone. Also, the impression has been left here today that the United States is always wrong; that everything we do is wrong; and that everything that everyone else does is right.

The United States is a member of the United Nations, which is a multilateral organization. I voted for the United Nations. I was a Member of the Senate at the time. I am for the United Nations. But I want to give the history of the United Nations when it comes to acting multilaterally.

It was the United States, if I remember correctly, that went into Korea before the United Nations did. We went in with our soldiers and our guns.

If I remember correctly, only a week ago it was the United States which first went into the Middle East to do what the able Senator from Minnesota was talking about a few moments ago.

Mr. LONG. Mr. President, will the Senator yield?

Mr. CAPEHART. Please let me finish.

It was the United States that went into Lebanon to do what the able Senator from Minnesota was talking about a little while ago. He said we had three choices in the Middle East. One was to let Russia take it over; the second was to let Nasser take it over, and let the Middle East become "Nasserized," as he put it. The third choice was to maintain a group of independent, friendly nations.

The latter is exactly why the United States went into Lebanon. That is exactly why the British went into Jordan. It was to make certain that there was maintained in the Middle East a group of small nations, acting independently of either Nasser or Russia. That was the only reason we went there.

My observation has been that when it comes to establishing so-called multilateral organizations, the countries get together and organize, but when the time comes to put up the money, or when the time comes to go to war and to send soldiers, it is the United States which generally does those things alone.

I admit that the resolution is purely and 100 percent for the purpose of studying the possibility of establishing an International Development Association. But I have been a Member of the Senate long enough to know that the resolution goes deeper than that. Its purpose is to establish another international lending organization.

I am happy now to yield to the Senator from Louisiana.

Mr. LONG. I was not at all questioning the Senator's statement that very little United Nations help, in terms of manpower, went to Korea, to assist the United States. But does the Senator mean that there was no United Nations resolution prior to the time United States troops landed in Korea?

Mr. CAPEHART. That is correct; there was none.

Mr. LONG. My impression is that the United Nations Security Council, in the absence of the Soviet delegate, had called upon all members to provide whatever assistance they could.

Mr. CAPEHART. I do not wish to argue the point with the able Senator from Louisiana. The fact still remains that the United States Army went into Korea, and that 90 percent of the troops who fought there were Americans.

I am not at all condemning the United Nations. That was not my purpose of bringing up this point. The purpose was to counteract the impression which Senators on the other side of the aisle have been trying to leave, namely, that the United States does not belong to or participate in any multilateral organization. I called attention to the United Nations, to NATO, to SEATO, to the International

Bank, to the International Finance Fund, and to the International Monetary Fund. They are all multilateral organizations.

Then I called attention to the fact that as to two big international events which have occurred, so far as the United Nations is concerned, it was the United States which moved in the quickest with the "mostest." That is all I was attempting to say. I was not trying to criticize the other nations, and I do not intend to do so. I simply wanted to make the RECORD clear, because Senators on the other side of the aisle have been trying to leave the impression that the United States has done everything in a bilateral way.

Mr. LONG. I wish the Senator from Indiana would not make his statement in so general a way. I have not been seeking to give any such impression. I have just come from a Senators' luncheon. Except for the luncheon, I would have heard more of the speech being made by the Senator from Indiana.

Mr. CAPEHART. I will correct the RECORD, then, and say only those who have spoken have tried to leave that impression.

There are at the moment the international lending organizations. Under the resolution before the Senate, if the study group thinks there should be such an organization, and if Congress agrees to it, it will establish another one.

We already have the point 4 program, the International Bank, the International Monetary Fund, the International Finance Corporation. Also, there is the Development Loan Fund, which Congress authorized last year. There is the Export-Import Bank, which is an old institution. There is also Public Law 480, under which we sell surplus farm products to foreign countries and take their currencies in payment.

Mr. LONG. Mr. President, will the Senator yield?

Mr. CAPEHART. I yield.

Mr. LONG. I wish the Senator would clarify my understanding of Public Law 480. My understanding is that we do not even take currency, in the full sense of the word, because those countries pay it back to themselves. We sell the commodities under Public Law 480, and when the currency is paid back, it is sent to them to be used in their own countries.

Mr. CAPEHART. Also, there is the President's emergency fund. Let us talk about Public Law 480. Much has been made today of the fact that under the plan of the resolution, the United States would take the currencies of other countries, currencies which we generate as the result of the sales of our surplus farm products. No one seems to know what the amount of those currencies is, except that the Senator from Oklahoma spoke about \$5 billion, and the able Senator from Vermont, I think, said it was about \$1,500 million; I do not know that it makes any difference for the purpose of my argument, but somehow, in some way, the currencies which we have accepted in payment for surplus farm products we have the right to spend under the agreements entered into with the foreign countries.

We control them subject to the agreements we have entered into, and somehow, in some way, those currencies will find their way into the International Development Fund. But there is no way in which those currencies can find their way into the International Development Fund under existing law. It would be necessary to change the existing law before those funds could find their way there, because every dollar of that fund is already committed when a sale of surplus farm products is made to those countries in exchange for their currencies. We committed the great majority of those currencies at that time. We control them subject to the control the respective countries have of them. So that money cannot be taken into this fund.

Mr. LONG. I wonder if the Senator will agree with me that it might be very desirable to change that policy, so that we could at least use some of those currencies outside the borders of the nation in which the sale is originally made. In other words, as the situation now stands, in most instances we could never use the currency for any other purpose than simply to develop the country in which the sale is made.

Mr. CAPEHART. I am certain the able Senator knows that those countries will not permit their currencies to be used for other purposes, because they will not know what will happen to them. They have only a limited amount of currency. They could not permit what the Senator has suggested. They do not know what would happen to their currency.

Mr. LONG. The Senator knows we do not take that attitude with our dollars.

Mr. CAPEHART. Our dollars are interchangeable and convertible throughout the world. But that is not true of the currencies of the countries about which the Senator from Louisiana has been speaking. Those countries control their currencies. They control the purpose for which they are spent outside their own borders. They must do that; otherwise, their monetary systems could not operate. That is why I say the matter has not been thought through.

I have no quarrel with the humanitarian purposes which have been spoken of today. I have no quarrel with the proposal to handle this matter in a multilateral way. I have no quarrel with those proposals at all. I simply say that they will not work. There is nothing new about the whole proposal. What is sought to be done by the resolution can be done now through any one of the many existing organizations.

The statement was made by someone, I forget who, that he had been working on this matter for a couple of years, and that other nations were interested. I suggest that there be placed in the RECORD the name of a single country which has asked for this sort of organization; the name of a single country whose legislature or parliament or congress has ever adopted a resolution or consented to enter into this sort of arrangement. I do not think any will be found.

Mr. MONRONEY. Mr. President, will the Senator yield?

Mr. CAPEHART. I yield.

Mr. MONRONEY. I am sorry my remarks made so little impression on the distinguished Senator from Indiana. I stated the names of several of the leaders of European countries who not only have expressed an interest, but even have offered to have their countries put up cash to help promote various development banks on a regional basis.

Mr. CAPEHART. Did the Senator from Oklahoma state their names?

Mr. MONRONEY. Yes.

Mr. CAPEHART. Who are they?

Mr. MONRONEY. Foreign Minister Pella, of Italy, for one. He favored a proposal for a bank for reconstruction in the Middle East.

Then there was the proposal of Mr. Earhard, of Germany, who has discussed it not only in Germany, but also in the United States with representatives of our State Department.

In addition, Premier Kishi, of Japan, has proposed a development bank for the Far East.

A Venezuelan proposal also has been made.

Mr. CAPEHART. But there is as much difference between those proposals and the pending proposal as there is between day and night.

Mr. MONRONEY. Yes, and, thank heaven, there is that much difference, because if such activities were carried on only by means of a regional bank—for instance, in the Far East—and that region encountered difficulties, the bank might easily become bankrupt. If the bank were worldwide in scope, it would have much greater strength. The Senator from Indiana, who knows a great deal about banking, knows that to be true.

Mr. CAPEHART. The Senator from Oklahoma said those gentlemen are interested in a development bank in the Far East. But my point is that such a proposal is not the one that is before us today. What those gentlemen were discussing—and it is something that I have favored for many years, and I still favor it—was the establishment of a development bank in certain areas or regions, to loan money to businessmen in those regions. But that proposal is entirely different from the one now before us.

For instance, the Latin American countries have, for many, many years, been interested in a Latin American development bank, limited to making loans to, and doing business with, Latin American countries. I believe that proposal should be studied, and I am in favor of it.

Mr. MONRONEY. Mr. President, will the Senator from Indiana yield further to me?

Mr. CAPEHART. I yield.

Mr. MONRONEY. Then I presume the Senator from Indiana favors having the United States make investments in half a dozen or a dozen regional development banks. I believe that, instead, we would stand a far better chance of protecting our investment if we proceeded by means of a worldwide organization as a subsidiary of the World Bank, as is now proposed.

Furthermore, why should the Senator from Indiana wish to deny the United States and the other nations an opportunity to have the benefit of a high-level study of this matter? I think the Congress and the country are entitled to have someone else make a careful study of this proposal; and the resolution directs the making of such a study.

If the Senator from Indiana is afraid to have the public have knowledge of this matter and is afraid to have the public learn whether it will work, then I can only conclude that he is opposed to having the United States learn of the possibility of the establishment of anything new.

Mr. CAPEHART. Mr. President, I am quite confident that in this body there are not sufficient votes to reject the resolution. But I know it proposes the beginning of an effort to establish another international scheme or another organization to lend money internationally. I am sure there are not sufficient votes in the Senate to reject the resolution; but I wish to talk about it and make a record about it, so that when the group which studies the problem proceeds with its work, it will have something in the CONGRESSIONAL RECORD to examine.

I repeat that the proposed organization is not needed. Only a short time ago—about a year ago, in fact—the Congress established a Development Loan Corporation. It was established for the purpose of loaning money to underprivileged and underdeveloped countries, and to permit them to repay the loans in their own currencies, over long periods of time.

But now, almost before the ink on that proposal is dry, a new organization is proposed. However, such a new organization is not needed at all.

Why does not the International Bank do all that is now proposed, if it is really desirable? The International Bank has a great deal of money at its disposal, and is doing business all over the world.

I can tell the Senate why the International Bank does not do it. The reason is that the proponents of this scheme would like to talk the Congress into establishing another fund which could be used for loans for long terms, at low interest rates. For example, the fund would be used for loans at 2 percent, and for as long as 40 years, whereas the International Bank operates on a business-like basis.

But the proposal now before us would have the International Bank, if it became an affiliate, or some other group, loan money on a long-term basis; and the only excuse for that is that it is hoped that other countries would be persuaded to provide some money for loans.

Mr. President, let us consider that point. I regret that I do not have the figures on it before me at this time. But the great bulk of the International Bank's money is provided by the United States, in the form of dollars. That bank accumulates its securities by the millions of dollars, and then issues debentures; and the debentures of the International Bank are sold in the United States for dollars, in order that the dollars may be available for loans to other

countries. So, for all practical purposes, we might say the International Bank is operated on dollars.

If the new institution now proposed is established, it also will operate on dollars. We cannot help a country industrialize itself except on the basis of providing it with the currency of a country which produces industrial goods. After all, the country which needs help has enough of its own currency; and if the goods it wants were produced within its own borders, it could buy them with its own currency. The only reason why a backward country has to have dollars, marks, or some other hard currency, is that the things that country wishes to buy are not produced within its own borders, and, therefore, it has to use its own currency to buy the currency of a country in which such industrial goods are produced.

So we shall not help these countries by supplying them with their own currencies. After all, they already have them now. But what they need is dollars.

The pending proposal, I repeat, is merely another method or scheme to establish another lending organization in the United States, even though no one knows whether other countries are interested in it, and even though no one knows whether other countries will provide funds for it or will invest in it.

Mr. President, the pending resolution should be recommitted to the Banking and Currency Committee, for further study. The committee heard from only a few witnesses in regard to this matter.

Mr. CLARK. Mr. President, will the Senator from Indiana yield to me?

Mr. CAPEHART. I yield.

Mr. CLARK. I hold in my hand a copy of the hearings which were held on this resolution before the Banking and Currency Committee. The hearings comprised 345 pages of testimony; and the index gives a long list of witnesses and also statements. I am sure the Senator from Indiana does not wish to state inadvertently that there were only several witnesses.

Mr. CAPEHART. There were only a few Government witnesses. Let us state for the Record who the witnesses were. Let us name them.

Mr. President, I have just examined the index of the hearings, and I think the statement I made is correct. I repeat that there were only a few witnesses at the committee hearing. The other matters included in the printed hearings are statements which were filed, and also editorials. For instance, in one case we find two-thirds of a page of editorials. The other matters included in the printed hearings are statements which were filed with the committee. They were not made by witnesses. I am talking about witnesses who appeared before the committee and could be asked questions. I think I am safe in saying the number of witnesses was very limited. I remember Paul Hoffman. Then I think the Assistant Secretary of the Treasury was there, and somebody from one other organization.

Mr. CLARK. The Department of State.

Mr. CAPEHART. The Department of State, and perhaps the Treasury, and others.

Mr. CLARK. The Assistant Secretary of Commerce for International Affairs, the Comptroller of the International Cooperation Association, the Assistant Secretary of the Department of Agriculture. I am reading from the table of contents.

Mr. CAPEHART. There were a few witnesses. I corrected the Record.

Mr. BRICKER. Mr. President, will the Senator yield?

Mr. CAPEHART. I yield.

Mr. BRICKER. I have looked through the list of witnesses. There were the Secretary of the Treasury; the Assistant Secretary of the Treasury; the Under Secretary of State for Economic Affairs; the International Division, Bureau of the Budget; Paul Hoffman; the Assistant Secretary of Commerce for International Affairs; the International Cooperation Administration; the Foreign Agricultural Service, Agriculture Department.

Is there anyone in that group who, outside his official responsibility, really represents the taxpayer, whose money will be spent initially to the extent of \$300 million?

Mr. CAPEHART. I cannot find any.

Mr. BRICKER. No one appeared before the committee who took into consideration what effect this will have on the dollar or the payments taxpayers will have to make to the Government.

Mr. CAPEHART. The Senator from Ohio is 100 percent correct. It is another plan, or policy, or organization to lend American dollars. I had thought that possibly we had too many now. I think what we possibly ought to do is to consolidate agencies which are now lending money around the world.

Imagine, if you will, Mr. President: We have the Loan Development Fund, the International Bank, the International Finance Company. Now we are going to have a new one. All of them, I presume, will be going into the same countries, competing with each other to lend money to the respective countries or to their citizens. There are too many agencies now. We ought to consolidate what we have, rather than add another organization.

I have heard the inference made today that if the people of the United States, who have been so liberal with the other peoples of the world, who have made so many, many sacrifices, not only in lives of their sons, but in the expenditure of billions upon billions of dollars, continue the policy of lending money directly themselves, other peoples will not like us; but if we join with other nations, still put up most of the money, and give the other nations the right to tell us how to spend our own money, we shall be popular throughout the world. I do not believe that statement at all. I do not think there is any truth to it. I think it is fallacious.

Let me explain the difference between the way the International Bank and the Export-Import Bank work to those who think now and then about the American taxpayer, who now and then think about the American wage earner, who now and

then think about American business. We are one of the stockholders, one out of 64, in the International Bank. Yet most of the money is American money. When the International Bank makes a loan to anybody or any country in the world, whoever receives that money can spend it anywhere in the world. The country borrowing the money can buy materials anywhere it wishes to. It can spend the money anywhere. In other words, American dollars are loaned, and the country can buy goods made in other countries.

On the other hand, in the case of the Export-Import Bank, which is 100 percent owned, operated, and controlled by the United States, when a loan is made to a foreign country the money must be spent to buy goods made in America, thereby creating jobs in America, helping American business, and helping to pay our taxes.

We are discussing an international organization of which we shall be a part owner, but we shall be putting up the lion's share of the money, which money may or may not be spent in the United States.

Mr. BRICKER. Mr. President, will the Senator yield further?

Mr. CAPEHART. Yes.

Mr. BRICKER. And those loans may be paid back in soft currencies. Is that correct?

Mr. CAPEHART. That is one of the purposes of the proposal.

Mr. BRICKER. That is the purpose of it. At the present time very few convertible currencies in the world are worth their stated value.

Mr. CAPEHART. That is true. No one in the world is more sold on the idea than I am that we must help foreign countries develop their own industries. I know as well as anyone else that what every Latin-American country and every country in the Far East needs is the establishment within them of business and factory processing plants for the manufacture of shoes, clothing, and every conceivable product, with their own labor, to be sold among themselves, using their own currency. I want to help countries to do that, because that is the only way they will raise their standard of living. That is the only way they will furnish jobs to their own people. No nation will get very far if all it does is to unload goods made in another country. I want to help them set up their own businesses. While that is being done, I want us to help the businessmen and wage earners of the United States. I want to see our people get the business, if you please. We do that when we lend our money through the Export-Import Bank. We do not do it when the money is loaned by the International Bank or the International Finance Fund. It will not be done when the money is loaned under the proposal before the Senate today.

Mr. President, I do not know when it became unpopular to stand up for the American wage earner and the American businessman in respect to matters such as this. I think industrial countries like Great Britain, France, and West Germany expect us to compete

with them throughout the world for business.

Mr. BRICKER. Mr. President, will the Senator yield again?

Mr. CAPEHART. Yes.

Mr. BRICKER. I am sure the Senator is conscious of the fact that already American industry is exporting billions of American dollars for the creation of jobs in foreign countries, because it gets the benefit of low wage rates. One plant in my State has established 18 plants in other countries, where it is taking advantage of the low wage rates. Companies have a right to do that. Much of the production of those companies has come back to this country to compete with products made in the United States. That is another issue. However, here we are facing a proposal to take the taxpayers' money, for which the taxpayers will get no benefit, and use it for unsecured loans abroad. So we shall be exporting the taxpayers' money in addition to the free enterprise money which is already going abroad to the extent of hundreds of millions of dollars annually.

Mr. CAPEHART. Mr. President, the Senator is absolutely correct.

Mr. President, there is no question that it is important for us to cooperate with the countries of the world in building up their industries. There is no question that it is important for us to cooperate with the other countries in establishing a private enterprise system in those countries. There is no question that it is important for us to cooperate with the other countries to build factories, to create jobs in those countries. There is no question that it is important for us to cooperate with the other countries to build factories, to create jobs in those countries. There is no question that it is important for us to cooperate with the other countries to build factories, to create jobs in those countries.

But I say also, Mr. President, that in doing these things we have to look after our own economy. We have to look after our own people, because if we do not we may get into trouble and we may go bankrupt.

I invite the attention of Senators to the fact that we have a debt of \$280 billion. That is a greater debt than that of all the countries of Western Europe combined—perhaps as much or possibly more debt than all the other countries in the world combined.

We do have great production in this country, and a great productive capability. But we also have to look after our own interests. We can look after our own interests and still help the rest of the world, if we will adopt good, sound policies. The trouble with the schemes that we enter into for foreign countries is that we go into them without thinking them through in sufficient detail.

I was a Member of the Senate some years ago, when I heard Senators rise to say, "If we will pass the bill to provide for the agency known as the International Bank for Reconstruction and Development, we can solve all the problems of the world. We will be able to loan money to the backward countries, and that will solve our problems."

Then I remember the discussions with respect to the International Monetary Fund. I sat as a neophyte Senator, in my first year, and listened to Senators

say in the debate, "If we pass this bill, we will forever solve the currency problems of the world."

I voted for both of those organizations. I am not against them. I realize many problems have come up which have made it impossible for the organizations to work as well as they might have worked, but I am simply stating what was said in the Senate.

I sat as a Senator when the United Nations was formed. I voted for that organization.

Before we give one of these schemes a chance to work, someone always comes forward with proposed legislation to form another. We simply pile one on top of the other. I think it is time we stopped long enough to catch our breath, to consolidate some of these agencies and to make sure the agencies are doing the job for which they were intended, while at the same time looking after the American taxpayers' interest and the economy of the United States.

I have heard the statement made today that this is something new. I heard a statement to the effect that this was possibly the greatest thing which could happen. I think there was one exception. I do not think the exception was the United Nations. This proposal was put above the United Nations, above NATO, above SEATO, above the International Bank for Reconstruction and Development, and above the International Monetary Fund. It was said this proposal was greater than all but one. I forget which one it was not greater than.

I say there is not anything new about the proposal at all. This is simply a plan to organize an institution which, possibly, will be affiliated with the International Bank for Reconstruction and Development; another lending agency.

Only a year or 2 years ago we passed a bill to permit the organization of an affiliate of the International Bank, an international finance company. We established that organization and put money into it. I forget the amount of money involved; I do not know whether it was \$500 million or \$1 billion, but whatever it was it was a sizable amount, and the purpose of the organization was about the same as that of the one we are now talking about. At least, it had a purpose of making loans. What has happened to that organization? Why do we propose another one on top of what we have already provided?

Mr. President, I hope the Senate will reject the resolution, because, although it is sort of a harmless thing in itself, it will create an undesirable precedent and provide propaganda looking to the organization of another institution to lend money throughout the world.

We are about to run out of money. The Committee on Banking and Currency acted favorably on a bill which calls for the expenditure of nearly \$2.4 billion in the next year. I hope Senators will think of that. I am not opposed to the program, but I think the amount is too high.

We approved in the same committee a bill for what is called a community facilities program, which has been provided \$900 million for the next year.

I could go on and on and on. I am as certain as that I am standing here that if the study group recommends what the sponsors of the resolution have said they want to do—it is not quite so important really what the resolution says; it is more important what the sponsors of the resolution themselves say they want the new organization to do—we will be called upon to put more money into an organization designed, under a different name, to lend money.

I think the resolution ought to be defeated.

Mr. President, I send to the desk an amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 3, line 2, it is proposed to delete the period after the word "Development" and insert a comma and the following words: "and study all existing international loan agencies in relationship to the proposed International Development Association."

Mr. CAPEHART. Mr. President, I ask for the yeas and nays on the amendment.

Mr. President, I ask unanimous consent that the yeas and nays be ordered.

The PRESIDING OFFICER. Is there objection to the unanimous-consent request of the Senator from Indiana that the yeas and nays be ordered on the amendment?

The Chair hears none, and it is so ordered.

Mr. CAPEHART. Mr. President, I should like to read the amendment and state its purpose. First, I should like to read the amendment in its relationship to the resolution. I shall read beginning with line 18 on page 2. The resolution states:

That, recognizing the desirability of promoting a greater degree of international development by means of multilateral loans based on sound economic principles,

Mr. President, the language says "sound economic principles" but we have been talking all day about 2 percent loans, about soft loans, and about accepting currencies of foreign countries in repayment. Despite that the language is "sound economic principles."

The resolution continues:

It is the sense of the Senate that prompt study should be given by the National Advisory Council on International Monetary and Financial Problems with respect to the establishment of an International Development Association, as an affiliate of the International Bank for Reconstruction and Development.

At that point I should like to add the words "and study all existing international loan agencies in relationship to the proposed International Development Association."

I want the study group to take into consideration all the other loan agencies we have, a list of which I have just placed in the RECORD.

Mr. MONRONEY. Mr. President, will the Senator yield for a question?

Mr. CAPEHART. I yield.

Mr. MONRONEY. I do not feel that the committee can accept the amendment; but in view of all the things the Senator thinks is wrong with this pro-

gram, I ask him if he would vote for the resolution if his amendment were adopted?

Mr. CAPEHART. That is a matter for the Senator himself to decide when the time comes.

I think the best proof in the world that this resolution should be defeated is the fact that the manager and the author will not accept language such as I have just read. All I am asking is that when the study group makes the proposed study in respect to establishing a new international loan fund, it take into consideration existing international lending agencies, in relationship to the proposed International Development Association. Perhaps it will be found that the proposed association should be made a part of one of the existing agencies. Perhaps it will be found that all such agencies should be consolidated. Perhaps it will be found, when a study is made of all of them, that the proposed association is not needed.

How can anyone be opposed to the language I have just read? I believe that the opposition to it is the best proof in the world that the proponents wish to start the propaganda to establish another international lending agency.

Mr. President, I suggest the absence of a quorum.

Mr. POTTER. Mr. President, will the Senator withhold his suggestion of the absence of a quorum in order to permit me to make a 5-minute statement?

Mr. CAPEHART. On this subject or some other subject?

Mr. POTTER. On some other subject.

Mr. CAPEHART. Mr. President, I ask unanimous consent that I may yield to the able Senator from Michigan for the purpose of a 5-minute statement on another subject, without losing the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

TOLLS ON INTERLAKE COMMERCE TRANSITING THE WELLAND CANAL

Mr. POTTER. Mr. President, I wish to bring to the attention of the Senate a letter which I wrote on July 18, 1958, to Hon. John Foster Dulles, Secretary of State. My letter is as follows:

OFFICE OF
SENATOR CHARLES E. POTTER,
UNITED STATES CAPITOL,
Washington, D. C., July 18, 1958.
HON. JOHN FOSTER DULLES,
Secretary of State,
Washington, D. C.

MY DEAR MR. SECRETARY: I am writing you with respect to a matter within the jurisdiction of your Department in which I am confident you will wish to take appropriate action to protect the interest of the United States.

The toll committee of the St. Lawrence Seaway Development Corp., in its report of June 12 indicated agreement with an apparent proposal in the St. Lawrence Seaway Authority of Canada to impose tolls on interlake commerce transiting the Welland Canal.

Imposition of such tolls would be contrary to well-settled international policy of the United States and Canada. It would violate the policy of the United States and would be contrary to the clear intention of the Congress in its enactment of legislation author-

izing the United States to participate in the construction of the St. Lawrence Seaway.

It is most unfortunate that the toll committee appears to have tacitly approved this proposal. Particularly so since its principal, the St. Lawrence Seaway Development Corp., is without authority either to recommend tolls on the Welland Canal or to acquiesce in the imposition of such tolls by Canada. Under the legislation authorizing United States participation in the St. Lawrence Seaway project the St. Lawrence Seaway Development Corp. is limited to consideration of tolls solely for the International Rapids section of the St. Lawrence River—its authority in this connection does not extend to the Welland Canal. Accordingly, this action of the toll committee, while unfortunate, should in nowise be considered as a basis for or suggest United States acquiescence to the apparent intention of the St. Lawrence Seaway Authority of Canada to impose tolls on interlake commerce using the Welland Canal.

Congress in authorizing United States participation in the development of navigation facilities in the St. Lawrence River did not intend for tolls to be imposed on interlake commerce. The House Committee on Public Works had this to say. "In approving the imposition of tolls as part of this project, the committee wants it expressly understood that by such action it is not digressing from the firm and longstanding toll-free policy established with respect to inland waterways. The approval given herein is not intended to be interpreted as a precedent varying the toll-free policy, since this project, being international, is clearly distinguishable from purely inland waterway facilities in the United States."

The Seaway Authority of Canada was incorporated for the purpose of constructing, maintaining, and operating a deep waterway between the port of Montreal and Lake Erie. The tolls that may be charged by the authority must be fair and reasonable and designed to provide a revenue sufficient to defray the costs to the authority of carrying out the purpose for which it was incorporated; namely, constructing, maintaining, and operating a deep waterway between the port of Montreal and Lake Erie.

The cost of improvement of the Welland Canal for deep-water navigation moving between Montreal and Lake Erie, in my judgment, may not lawfully be charged against Great Lakes commerce on the pretext that such improvements would be used by Great Lakes vessels. So far as such improvement would serve Great Lakes commerce, it would be nothing more or less than a part of the general program for improving the connecting channels of the Great Lakes. Congress has authorized substantial sums of money for improvements to all the connecting channels west, or above Lake Erie, and work on the project is now under way in both United States and Canadian waters. Enlargement and deepening of the Welland Canal should be regarded as Canada's contribution to the improvement of Great Lakes channels and the cost thereof attributable to Great Lakes commerce should be borne directly by Canada in the same manner as the cost of the United States improvements is being borne by the United States.

There is no authority for imposition of a separate toll on the Welland with respect to Great Lakes vessels engaging in Great Lakes commerce terminating on Lake Ontario. The toll which the Seaway Development Corporation and the Seaway Authority of Canada are authorized to impose is limited to vessels navigating the deep waterway between Montreal and Lake Erie.

The Department of State, as you know, recognizes that both the United States and Canada have a proprietary interest for navigation purposes in the canals of the other within the Great Lakes. As early as 1913, the Department enunciated this principle

and drew the distinction between the status of the Welland, in Canadian territory, and the Panama Canal, when Assistant Secretary of State Adee said:

"The cases are quite distinct and parity between them is almost wholly lacking. In the case of the Welland Canal it must be remembered that from the signature of the treaty of peace with Great Britain down to the conclusion of the Treaty of Washington in 1870 (sic) the coterminous water between the United States and Canada and their outlet to the sea were a joint waterway of the two countries, the citizens and commerce of each having equal rights in the waters common to both countries. The Welland Canal is not an independent waterway, but is part of the coterminous water system, being merely a loop around an unnavigable portion of the common waterway. Its common use by citizens and commerce of the two countries is just as necessary to the fulfillment of the convention pact as the common use of the Sault Ste. Marie Canal, which passes in American territory. None of these conditions are discernible in the case of the Panama Canal."

This statement was reaffirmed by the Department in 1946 during hearings before the Senate Committee on Foreign Relations on Senate Joint Resolution 104, 79th Congress, 2d session.

The existing toll-free policy for Great Lakes commerce is long established between the United States and Canada and has the force of international law. No more fully developed and settled rule of conduct exists between the United States and Canada than their toll-free policy for the Great Lakes.

I seriously doubt if the Canadian Government in establishing the Seaway Authority of Canada intended for tolls to be imposed on interlake traffic transiting the Welland Canal. If such was the case, I believe it to be in contravention of an international policy of long duration and contrary to the best interest of the United States as well as Canada. Such unilateral action could well invite a strong demand for imposition of tolls on similar passageways within the confines of the United States.

I urge that the Department of State through diplomatic channels advise the Government of Canada that the United States would strenuously object to the imposition of tolls on Great Lakes commerce using the Welland Canal.

Sincerely yours,

CHARLES E. POTTER.

Mr. President, as I indicated in my letter, I seriously doubt if the Canadian Government in its legislation establishing the Seaway Authority of Canada intended for tolls to be imposed on interlake traffic transiting the Welland Canal. Our own Government will spend approximately \$141 million on improving our own connecting channels. In addition it will be necessary for our Government to construct a new Poe Lock at Sault Ste. Marie, Mich. The estimated cost of this lock is \$38,700,000. It is indicated that improvements to the Welland Canal will cost approximately \$27.5 million.

Our good friends in Canada will wish to act equitably and fairly in this matter. I hope that our Department of State through diplomatic channels will be able to obtain assurances from the Canadian Government that it has no intention of imposing tolls on interlake commerce going through the Welland Canal. Certainly our Department of State has the responsibility of protecting the interest of the United States in this issue.

It may be that my distinguished colleagues will also wish to appeal to Secretary of State Dulles to act promptly along the lines I have suggested.

Mr. President, I have discussed the matter with other Members of the Senate from the Great Lakes States, and they, too, have shown great concern. I am authorized by the Senator from Minnesota [Mr. HUMPHREY] to say that he, too, wishes to join in the protest to the Government of Canada. I am certain that when the legislation was passed in Canada, they had no intention of imposing tolls on interlake traffic. Therefore, I hope that our State Department, through diplomatic channels, will make a protest to the Canadian Government about this matter.

Mr. McNAMARA. Mr. President, it is with some alarm that I note the controversy which has developed over the setting of tolls for use of the St. Lawrence Seaway.

There seems to be little objection to the toll rates proposed by the United States and Canadian tolls committees for use of the seaway proper—that is, from Montreal to Lake Ontario.

The controversy arises, however, over the proposal to include toll charges for the use of the Welland Canal.

The Welland Canal, technically, is not a part of the St. Lawrence Seaway but is the only means of passage between Lake Ontario and Lake Erie around Niagara Falls.

While the canal is completely under Canadian control, passage through it by United States ships has been toll-free since 1871.

Under the recommendations, however, charges would be established for use of the canal. The charges would consist of 2 cents per gross registered ton, 2 cents per ton of bulk cargo and 5 cents per ton of general cargo.

Unlike the tolls proposed for the St. Lawrence Seaway proper, which would accrue 71 percent to Canada and 29 percent to the United States—all of the Welland Canal receipts would accrue to Canada.

The reason for this is that Canada is spending \$27.5 million to deepen and improve the Welland Canal so that it can be used by the deep-draft vessels that the St. Lawrence Seaway will permit.

Certainly this improvement of the canal is vital to the whole seaway concept; otherwise, the deep-draft ships would be denied access to Lakes Erie, Huron, Michigan and Superior.

However, I would like to point out that the United States, in addition to its seaway contributions, is spending \$141 million to similarly deepen the channels between the Great Lakes to permit transit by deep-draft ships.

Some of these channel-deepening projects, which the United States is paying for entirely, are completely within Canadian waters.

But, Mr. President, the United States is not seeking to charge tolls to any ships which will use these deepened channels.

We are charging off the cost of the channel deepening as part of our contribution to the seaway's success.

Yet Canada would, under the recommendations, receive an estimated return

of \$2 million to \$3 million a year from ships using the Welland Canal.

The bulk of this traffic undoubtedly will be Great Lakes commerce solely, originating or terminating on Lake Ontario—shipping which, traditionally, has had free access.

Mr. President, I do not feel that we have a right to challenge the action if Canada wished, unilaterally, to effect tolls on the Welland Canal, which, after all, is entirely within her boundaries.

However, in view of the fact that the United States is spending \$141 million to deepen the connecting channels without reimbursement, a question can be raised over the propriety of Canada's charging tolls to reimburse herself for deepening the Welland Canal.

Further, a question is raised over the authority of the St. Lawrence Seaway Development Corporation to enter into a toll agreement with Canada insofar as the Welland Canal is concerned.

Mr. President, it is vital that our country maintain sound relations with Canada, not only with respect to the St. Lawrence Seaway, but in all other matters as well.

Therefore, it seems to me that the current controversy should be studied with a view to clearing up any misconceptions or misunderstandings that might have arisen.

I have asked the Senate Foreign Relations Committee if it would make such a study of the circumstances involved in this matter to see whether such tolls are consistent with the letter and spirit of our seaway law.

In closing Mr. President, it is likely that questions such as these may arise from time to time, especially with the seaway scheduled to begin full operations within a year.

I believe they could be much more effectively handled if the St. Lawrence Seaway Development Corporation was made an independent agency.

As my colleagues know, I have introduced legislation—S. 4044—to achieve this, and I am hopeful that early action will be taken.

ESTABLISHMENT OF INTERNATIONAL DEVELOPMENT ASSOCIATION

The Senate resumed the consideration of the resolution (S. Res. 264) favoring the establishment of an International Development Association in cooperation with the International Bank for Reconstruction and Development.

The PRESIDING OFFICER. The question is on agreeing to the amendment proposed by the Senator from Indiana [Mr. CAPEHART].

Mr. CAPEHART. Mr. President, I ask unanimous consent to have printed in the RECORD at this point a statement I have prepared on the resolution; also the minority views of the Senator from Ohio [Mr. BRICKER] and myself.

There being no objection, the statement and minority views were ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR CAPEHART

I hope every Member of the Senate will take the time to read the statement of the

views of myself and the Senator from Ohio [Mr. BRICKER] in opposition to this resolution as set forth in the committee report. I do not wish to detain the Senate by reiterating everything contained in that statement. However, I feel obligated to point out several dangers in this proposed study.

This resolution should not be taken lightly. It would place the Senate on record as advocating another foreign lending program. No attempt is made in the resolution to reconcile this new program with the existing development loan programs operating through the Export-Import Bank, Public Law 480, the Development Loan Fund, the International Bank, and the International Finance Corporation. The proposed new International Development Association would merely overlap and duplicate these existing programs.

Equally serious is the fact that the resolution contains such broad general language as to be almost meaningless. Therefore, if the resolution is passed, I am afraid that the Senate will actually be adopting the details of the program advocated by the proponents of this resolution at the committee hearings. In fairness to the Senate, the resolution itself should spell out the entire proposal. If this were done, I am sure the program would be rejected as being unworkable by an overwhelming vote.

In the near future the Senate will be called upon to vote the necessary appropriations to carry out the mutual security program. I feel certain that some Senators will use this resolution as an excuse for cutting the President's request for funds, particularly in regard to the Development Loan Fund. Every Member should be fully aware of all the consequences that may flow from the approval of this proposal.

INDIVIDUAL VIEWS OF MR. CAPEHART AND MR. BRICKER

The proposed resolution would commit the Senate to a policy of advocating a new international loan program and of urging a study aimed at the establishment of an institution called the International Development Association for this purpose. The resolution speaks in broad general terms of providing a source of "long-term loans" available at a "reasonable rate of interest" and "repayable in local currencies." The resolution also contains vague references to encouraging multilateral contributions and facilitating the use of foreign currencies.

Obviously, the language of the resolution is susceptible to a wide variety of interpretations. Yet, it is imperative that the Senate know the exact policy it is adopting. Therefore, it is necessary to go behind the resolution and examine statements made by the proponents of this plan in order to learn its true meaning. These statements reveal the intent to establish an international loan program of 40-year loans at a 2 percent interest rate repayable in "soft currencies." The proponents also intend to utilize foreign currencies generated by Public Law 480 by freeing them in some undisclosed manner from the restrictions on their use contained in existing agreements. The capital of the proposed IDA would be \$1 billion, with the United States contributing at least \$300 million. It also should be noted that one proponent has urged that the Soviet Union be invited to participate in this new organization.

If the resolution is intended to reflect the views of its proponents, then the language of the resolution itself should be changed to spell out the details of this plan. How can the Members of the Senate be asked to go on record as favoring this resolution without knowing exactly what is contemplated? Certainly on a policy question, as important as this one is to the Senate and to the country, there should be no doubt about the real issues involved.

This legislative dilemma results from the use of a Senate resolution to usurp the usual diplomatic procedure employed in negotiating the formation of a new international institution. The resolution does not urge any course of action that the State Department could not initiate itself through ordinary channels. Apparently, the purpose is to force the administration to adopt a policy that it has not deemed wise heretofore.

This rather unusual procedure is not justified by the limited testimony received by the committee during the 3 days of public hearings. The Government agencies indicated that they had already given this plan a great deal of study and had encountered many difficult problems. Only one private witness, an ex-Government official, testified before the committee. It would seem appropriate and necessary in considering a new foreign lending policy that the committee and the Senate should have the benefit of the views of the many private individuals and organizations interested in the subject.

Of course, the fundamental question involved in this resolution is whether we need an additional foreign lending program to duplicate and overlap existing programs. Of the \$9 billion in loans authorized by the Export-Import Bank, more than half—\$5.1 billion—have been for projects in underdeveloped nations in Africa, Asia, Latin America, and Oceania. During the current session, the Congress has increased the lending authority of the bank by \$2 billion, making approximately \$2.5 billion available for additional loans.

Last year, when the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) was extended, an amendment was adopted authorizing up to 25 percent of the foreign currencies received through the sale of agricultural commodities to be made available to the Export-Import Bank for lending to United States private enterprise in the purchasing countries. Loan agreements have already been entered into with a number of countries, including India, Israel, Mexico, Pakistan, and the Philippines. The agreement announced last month, making available the rupee equivalent of \$14,200,000 available for loans in India, is a good example of this program. The proposal to turn over the local currencies generated by Public Law 480 to an international organization would be in direct conflict with this program, as well as with standing agreements with many countries limiting the use of these currencies.

Last year the Congress also established a Development Loan Fund in the International Cooperation Administration and appropriated \$300 million for its use. The Development Loan Fund is designed to supplement the Export-Import Bank and the International Bank by making long-term, low-interest-rate loans to underdeveloped countries, repayable partly in soft currencies. The administration this year has requested an additional \$625 million for its operation. Again, the proposed IDA would duplicate an existing program that is just now getting under way.

Among the international organizations, the International Bank for Reconstruction and Development has been of great assistance to the underdeveloped nations. In fact, aside from the \$500 million in reconstruction loans made after World War II, its primary function has been the making of development loans. Over \$2.3 billion in loans have been made to the underdeveloped nations of Africa, Asia, Latin America, and Oceania. It is interesting to note that \$575 million of the loans disbursed has been in currency other than United States dollars. As of December 31, 1957, the International Bank had \$761 million available for development loans and the authority to obtain additional funds through the sale of bonds to private investors.

The International Finance Corporation was established in July 1956 for the purpose of furthering economic development in underdeveloped countries by making investments in private enterprise in association with private investors. The International Finance Corporation now has a capitalization of \$93 million and has already made a number of investments. A good example of its operations is the investment of \$600,000 (repayable half in dollars and half in pesos) in a privately owned steel-fabricating company in Mexico. Another example is the investment of \$200,000 in a Chilean corporation engaged in development of a copper mine and smelter in Chile. As time goes on, this relatively new international corporation will be of ever increasing aid to less developed countries.

The International Monetary Fund has supplied over \$2.8 billion to member countries to help stabilize their currencies. More than \$220 million of these funds were in currencies other than United States dollars. The fund has over \$6 billion available to meet the future needs of its members.

This brief summary of existing loan programs indicates rather clearly that there is no need for the proposed IDA. The mere establishment of a new international organization will not create any additional capital. In fact, if the IDA were set up, there is a great likelihood that it would cause funds to be diverted from established programs. The net effect of IDA would be to increase the international bureaucracy in the development loan field without serving any necessary or useful purpose.

HOMER E. CAPEHART.
JOHN W. BRICKER.

Mr. CAPEHART. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. CAPEHART. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MONRONEY. Mr. President, I oppose the amendment offered by the distinguished Senator from Indiana. First, the amendment was never considered by the Committee on Banking and Currency or by the Subcommittee on International Finance. Second, we do not even have a printed copy of the amendment, and did not see it until a moment ago. Third, the amendment interjects new language, which I think is unnecessary, and would complicate the very carefully worded resolution which is before the Senate.

Upon examination of the resolution, it will be found that the committee, in its wisdom, and with the benefit of suggested amendments from the State Department and the Treasury Department, worked out a very carefully worded resolution to provide for a specific study of the feasibility of establishing an International Development Association.

Obviously, the study of the establishment of an International Development Association could not be done without the assistance of experts who will consider carefully all other international lending activities.

The language of the amendment is so broad, however, that we do not know whether it includes a worldwide investigation of all the operations of the World Bank, the Monetary Fund, and the

many kindred and associated international financial enterprises of which the United States is a member.

The resolution has been cleared and is supported by the administration in the text in which it is presented to the Senate. Therefore, I feel we would be unwise and careless in our legislative procedure if we accepted the amendment at this late hour.

Mr. BUSH. Mr. President, will the Senator from Oklahoma yield?

Mr. MONRONEY. I yield.

Mr. BUSH. It is difficult for me to oppose an amendment offered by my friend, the distinguished and able Senator from Indiana; but in this particular instance I feel compelled to do so. The resolution before the Senate is not very different in form from the resolution which was originally submitted by the distinguished Senator from Oklahoma. The language has been worked over assiduously; it has been written and rewritten; negotiations have taken place with the State Department and the Treasury Department, to make certain that the resolution contains nothing which would be objectionable to them.

I fear that if an amendment such as that offered by the Senator from Indiana were added, the Senate would not have before it a resolution which we could say was thoroughly approved by the departments I have mentioned.

Also, there would be some question regarding the views of Mr. Black, the president of the World Bank, who has written a letter to us, which is in the RECORD, approving the resolution in its present form.

I myself believe that the study which is contemplated by the resolution cannot take place in a vacuum, but will take place in the light of conditions as they exist. These include the existence of the foreign-aid program, the development loan program, the World Bank, the International Finance Corporation, and various other activities in the field of economic aid and international finance at Government levels. So a study of the existing organizations is implicit in the resolution itself.

For these reasons, I believe the amendment of the Senator from Indiana is not needed, but would burden the resolution unnecessarily.

Mr. MONRONEY. I thank the Senator from Connecticut for his contribution. I feel that because of the consideration which the World Bank, the State Department, and the Treasury Department have given to the language which they have suggested and insisted upon, they must view it as being in the best form. Therefore, I ask that the amendment be rejected.

Mr. JAVITS. Mr. President, will the Senator yield for a question?

Mr. MONRONEY. I yield.

Mr. JAVITS. I notice that the language of the Senator's resolution, which I support, states: "to supplement International Bank lending activities." That appears on page 3, lines 8 and 9.

In order to make the proper legislative history, would the Senator, as the author of the resolution, state that that language contemplates that the study

shall consider the activities of all other international lending agencies as a necessary part of the study, and as the study bears upon the International Development Association, which the Senator's resolution proposes?

Mr. MONRONEY. Indeed, it would be applicable to any other association, as soon as the parent organization were studied. A study cannot be conducted in a vacuum.

Mr. JAVITS. A few of us who are very much in favor of the resolution do not understand why the Senator from Oklahoma cannot accept the amendment of the Senator from Indiana, because in this body, as I understand, an amendment will be accepted, even if it provides what is already in the bill, simply to accommodate a Senator who thinks his proposal is not spelled out in the bill.

Mr. MONRONEY. If the Senator from New York will compare the original and reported texts of the resolution, he will see with what nuances of language the changes which were recommended by the State Department and the Treasury Department were concerned. To the committee, the change meant the same thing as the language originally contained in the resolution; but we agreed to accept the language proposed by the administration, because we respected their judgment on the matter.

For that reason, I think the offering, at the last minute, of an amendment which is not designed to improve the resolution, but which seeks to defeat the study proposal, should not be accepted without knowledge of what we are doing. Therefore, I think it is wise to reject the amendment.

Mr. CAPEHART. Mr. President, I am amazed that any Senator would be against this amendment. I want to read what it provides. It is in connection with the study. The resolution upon which we are about to vote authorizes a study to be made of the advisability of creating a new international organization to lend money, on top of the 7 or 8 organizations which now exist.

The language of the amendment is simply this: "and study all existing international agencies in relationship to the proposed International Development Association."

In other words, we have already the International Bank, the Monetary Fund, the International Finance Agency, the Export-Import Bank, the Development Loan Fund, Public Law 480, and the President's Emergency Fund. Why do Senators, in connection with the study proposed in the resolution, object to a study in relation to all other lending agencies? How can a study be made unless other agencies are included?

What is behind the thinking of those who oppose the amendment? They frighten me when they oppose the amendment. Is there something mysterious we do not see? Why do not Senators want to take into consideration the International Bank, the International Finance Agency, and the other lending agencies?

I have heard the statement that the administration is for this particular proposition. I have not found them to

favor it particularly. I found the administration merely willing to go along with it. I did not find any enthusiasm for the proposal when I talked to the administration representatives at the hearings. What is behind the apparent opposition to including all the other lending agencies? It is necessary to take them into consideration if an honest study of the proposed legislation is to be made.

What is this proposal, Mr. President? It is just another plan or scheme to lend money. It proposes the establishment of just another international lending organization, in addition to all the others which previously have been established. And now we find that the author of this plan is opposed to the inclusion in the resolution of the words—

and study all existing international loan agencies in relationship to the proposed International Development Association—

The International Development Association being the new agency that is proposed in connection with the proposed study.

Mr. President, the inclusion of such words could not fail to improve the resolution. I would be amazed to find a Senator who would wish to have such a study made of a proposed new monetary group or new international agency without taking into consideration all the existing international loan agencies and without endeavoring to determine whether the proposed new agency is really needed and whether some of the existing international loan agencies can be consolidated.

Mr. President, I am delighted to make this record.

MESSAGE FROM THE HOUSE—ENROLLED BILLS SIGNED

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the President pro tempore:

S. 1785. An act designating the reservoir located above Heart-Butte Dam in Grant County, N. Dak., as Lake Tschida, and for other purposes;

S. 1939. An act to amend the Federal Seed Act of August 9, 1939 (53 Stat. 1275), as amended;

S. 2266. An act to provide a method for regulating and fixing wage rates for employees of Portsmouth, N. H., Naval Shipyard;

S. 3076. An act to amend section 12 of the act of May 29, 1884, relating to research on foot-and-mouth disease and other animal diseases;

S. 3437. An act authorizing the Department of Highways of the State of Minnesota to construct, maintain, and operate a free highway bridge between International Falls, Minn., and Fort Frances, Ontario, Canada;

S. 3478. An act to insure the maintenance of an adequate supply of anti-hog-cholera serum and hog-cholera virus;

S. 3608. An act to revise and reenact the act authorizing the State Highway Commission of the State of Maine to construct, maintain, and operate a free highway bridge between Lubec, Maine, and Campobello Island, New Brunswick, Canada;

S. 3677. An act to extend for 2 years the period for which payments in lieu of taxes may be made with respect to certain real

property transferred by the Reconstruction Finance Corporation and its subsidiaries to other Government departments; and

H. R. 13121. An act to authorize appropriations for the Atomic Energy Commission in accordance with section 261 of the Atomic Energy Act of 1954, as amended, and for other purposes.

DEATH OF JAMES H. MCCLELLAN

Mr. JOHNSON of Texas. Mr. President, there is very little that we can do for a close friend who has lost a loved one, other than to let him know that we are thinking of him and wishing desperately that there were some way to bring him comfort.

Our colleague, the senior Senator from Arkansas [Mr. McCLELLAN], has suffered a major tragedy. He has suffered much in his life, and has borne it with a fortitude and a courage which should be an inspiration to all the other Members of this body.

I do not believe very many words are needed on this occasion. I think what is needed is the open expression of our hearts and our souls in his behalf.

Mr. President, on behalf of the distinguished minority leader, the senior Senator from California [Mr. KNOWLAND], the distinguished senior Senator from Arizona [Mr. HAYDEN], the distinguished senior Senator from New Hampshire [Mr. BRIDGES], and myself, I submit a resolution for which I request immediate consideration.

The PRESIDING OFFICER. The resolution will be read.

The resolution (S. Res. 340) was read, and, by unanimous consent, was considered, as follows:

Resolved, That the Senate has learned with profound sorrow of the death of James H. McClellan, and extends sincere sympathy to our beloved colleague, the illustrious senior Senator from Arkansas.

Mr. IVES. Mr. President, I think the distinguished majority leader is quite correct when he says that not many words are necessary at this time.

I know that the hearts of all of us are filled with an emotion which an occasion of this type brings upon us.

As friends of JOHN McCLELLAN, I know that all of us deeply sympathize with him. Some of us have sons; we can imagine ourselves in his place.

But it seems to me that more than his lot of sorrow has come to him in his lifetime; this is the third son he has lost—all of them in some tragic way.

He has two daughters left, thank the Lord; and he is extremely blessed in having them. But that fact does not mitigate the tremendous loss which has come to him at this time.

I know that, in what I say, I am only expressing—though utterly inadequately—the feeling of all other Members of the Senate.

Our hearts go out to JOHN McCLELLAN and to Mrs. McClellan and their family. We are with them in spirit in this hour of their severe trial and great sorrow. We wish for them the calm and the reconciliation of mind and spirit which only time and divine providence can bring to them, because at the present

moment their sorrow undoubtedly seems to them almost unbearable.

Mr. President, I ask unanimous consent that my name be included in the list of those who sponsor the resolution.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. FULBRIGHT. Mr. President, I wish to join the majority leader in the submission of the resolution; therefore, I ask that my name be included as one of its sponsors.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. FULBRIGHT. Let me say that I have known Senator McCLELLAN, and also Jimmy, for many years. Jimmy was an outstanding young man. He had a most promising future. He had been very successful in his chosen profession, and had a very fine, lovely family.

I know all of us join in expressing our grief and our sympathy.

This tragic development and the other tragedies which have come to this wonderful family are almost unparalleled, insofar as I know.

I desire to express my sympathy and that of my family and of the other people of Arkansas to JOHN McCLELLAN and his family.

Mr. CURTIS. Mr. President, I wish to associate myself with the remarks which have been made in connection with the resolution.

Certainly in this situation words are inadequate.

It is our prayer that a special grace from on high will attend Senator and Mrs. McClellan in this hour of their sorrow.

Mr. BRICKER. Mr. President, I also wish to associate myself with the remarks of those who have expressed their sympathy and have extended their consolation to our distinguished colleague, the senior Senator from Arkansas [Mr. McCLELLAN].

I do not serve with the Senator from Arkansas on his committee, but I have come to have a very high regard for him.

Little can be said to help on an occasion of this kind, Mr. President; but I am sure Senator McCLELLAN and his family know that his colleagues pour out to him and to them their deepest sympathy in this hour of their bereavement; and I am sure they know that we are thinking about them and are wishing them strength, courage, and divine help, that they may carry on in the face of this great loss, which is the more extreme because of their past experience.

So, Mr. President, I wish to join with my colleagues who at this hour offer Senator McCLELLAN their help, their consolation, and their support.

Mr. KERR. Mr. President, the people of Oklahoma know and love Senator JOHN McCLELLAN, and their hearts go out to him in sympathy at this time. We have for him great respect and deep affection. We know he has deep reverence for God and an exalted faith in God, and we know that in that faith he will find the strength to sustain him in this hour of great tragedy.

Mr. LONG. Mr. President, a Senator learns to have great friendship and com-

radeship for his deskmates. I have come to admire Senator McCLELLAN as one of the truly great men of the Nation, and Senator McCLELLAN has a number of other ardent admirers in Louisiana. His work has, through the years, closely associated him with Louisiana. So I know I speak for all the citizens of Louisiana when I extend to him my sympathy at his great loss.

I ask unanimous consent that my name be added to the list of sponsors of the resolution.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SMITH of New Jersey. Mr. President, at this time of great tragedy in the life of Senator McCLELLAN, I wish to associate myself with the remarks which have been made by his other friends, and to express to both Senator McCLELLAN and his family my deepest sympathy.

I have known Senator McCLELLAN throughout my service in the Senate, and I shall always cherish his friendship, and shall always have for him the highest regard. He is truly one of the great men of the Nation, and has rendered it outstanding service.

I know that all the people of New Jersey join me in this expression of sympathy to him.

Mr. KNOWLAND. Mr. President, it is most difficult for any of us to put into adequate words the sense of shock and the feeling of deepest sympathy that ran throughout this Chamber yesterday when we heard of the tragic happening to the son of JOHN McCLELLAN.

JOHN McCLELLAN has carried very heavy burdens in this Chamber. He has performed outstanding service for his State and his Nation. I know that from my heart and from the hearts of each of the other 95 Members of the United States Senate love and sympathy are extended to him. We hope that Almighty Providence will give him the fortitude and strength to enable him to bear the sorrow caused by the tremendous tragedy which has come into his life.

Mr. PURTELL. Mr. President, I wish to join my colleagues in expressing deep sympathy to Senator JOHN McCLELLAN on the loss of his son. In such a bereavement as he has suffered words are inadequate to give full expression to our sentiments. I know I and all the other Senators will do anything we can to assuage his sorrow, if it is possible.

Mr. BUSH. Mr. President, the name of Senator McCLELLAN is widely known and respected in my State. I know I speak for thousands of people in Connecticut who read about the tragic loss when we extend to Senator McCLELLAN our deepest sympathy in his mourning.

In behalf of Mrs. Bush and myself, I also wish to extend to the Senator and Mrs. McClellan our warmest personal sympathy and the assurance of our understanding of his feelings at this most difficult time.

Mr. ERVIN. Mr. President, I first came to the Senate 4 years ago. The first committee to which I was assigned was the Government Operations Committee, of which Senator McCLELLAN was the senior Member. Ever since then I have served on that committee with

Senator McCLELLAN. I have also had the privilege of serving with him, for the past year and a half, on the select committee investigating labor-management relations.

I have come to know and admire and love this great Senator and great American for the fine qualities of his head and heart, and for his unsurpassed courage, both political and moral.

I think the saddest cry that has echoed down through the centuries has been the cry of David when his son Absalom was killed in battle. I cannot help but think that Senator McCLELLAN's sorrow is more poignant because his son, unlike Absalom, was always faithful to his obligations.

I had the privilege of meeting Jim McClellan some months ago. He was a young, upstanding American, with a fine personality, a great character, and a life which was full of promise.

I have never in my life felt so sorry for any human being as I feel at this moment for Senator McCLELLAN. I say that notwithstanding the fact that I, like everyone else here, have been compelled to witness many tragedies. I think this is the greatest one I have known.

Mr. JOHNSTON of South Carolina. Mr. President, I wish to join my colleagues in expressing sympathy not only for JOHN McCLELLAN, but also his family. This makes the third time since I have been in the Senate that an announcement has been made to the Senate that JOHN McCLELLAN had lost a son. To lose a son is no easy thing. To lose two sons is even harder. But to lose the third and only remaining son is naturally a tragic, sorrowful occurrence in the life of our colleague, JOHN McCLELLAN. I know he must be feeling this loss very much. So my hope is that God will place His hand on JOHN McCLELLAN and help him bear the burden of the affliction which has been visited upon him.

Mr. HUMPHREY. Mr. President, my first assignment when I came to the Senate was to be a member of the Senate Committee on Expenditures in the Executive Departments, as it was then called, and subsequently renamed the Senate Committee on Government Operations. Senator JOHN McCLELLAN has been a member of that committee, and, as we know, chairman of that committee for many years. With the exception of a very few short months, I served approximately 9 years on that committee.

During that period of time, one learns a great deal about his associates. I have grown to respect and admire Senator McCLELLAN. I believe I am privileged to say that I have shared his friendship, which is a great honor and privilege.

It really touched my heart when I heard the sad news about his son Jim. Only a few days before—in fact, last week—Jim McClellan was here in Washington. I had a cup of coffee with this fine young man in the Senate cafeteria, and spent a pleasant 15 or 20 minutes in conversation and fellowship with him. I can say to my colleagues it was a severe blow to hear the tragic news of his untimely death.

No man can understand why these things happen. As the seers and prophets say, these are matters which are in the hands of Divine Providence.

I do not suppose anyone can understand the grief of another, and I am sure no one can really appreciate the grief of a father who has lost three sons. It would seem to me, however, it would be reassuring if the father knew his friends, colleagues, and associates were with him in heart and in spirit.

It is in that spirit that I express today words of fellowship, friendship, and personal sympathy and condolence to Senator McCLELLAN. I only hope that somehow, somewhere, he may be comforted, and that he may realize there are those of us who share, at least in part, the tragedy which has befallen him.

Mr. MARTIN of Pennsylvania. Mr. President, I wish to join my colleagues in expressing sincerest sympathy to JOHN McCLELLAN and to his fine wife.

When I first came to the Senate I was on the Committee on Public Works with JOHN McCLELLAN. I soon came to learn of and admire his fine qualities. JOHN McCLELLAN is a great American. I know he has great faith, and I feel that in this tragic moment his faith will be a source of consolation to him.

The Senate of the United States is really a grand family. I think JOHN McCLELLAN will understand that all of us deeply sympathize with him in this tragic hour of his bereavement.

Mr. THYE. Mr. President, I have been privileged to serve with Senator McCLELLAN on assignments with the Special Investigating Subcommittee. Senator McCLELLAN is one of the most honorable men whose acquaintance I have been privileged to make.

Senator McCLELLAN, Mrs. McClellan, and I went on a journey together, with other Members of the Senate, in connection with the Special Investigating Subcommittee activities. We visited Madrid, and while there one evening he told me of the death of his two sons, and also of the loss of his wife, the former Mrs. McClellan. Now to have his third and only remaining son lost in a tragic airplane accident seems more than any one individual should be called upon to bear, but I know that Senator McCLELLAN's faith will permit him to bear the burden. We know not, of course, why such tragedies happen to one family, but this afternoon we are attempting to show by our expressions and by the resolution our deep feelings for Senator McCLELLAN and Mrs. McClellan on the loss of their son.

Only one who has lost someone very close or dear, such as one of his own immediate family, could in any sense feel what the loss of his son must mean to a father. So to Senator McCLELLAN and Mrs. McClellan I extend by heartfelt sympathy in this hour of their deep-felt bereavement.

Mr. THURMOND. Mr. President, I was shocked to hear of the death of the fine son of my close friend and colleague, Senator McCLELLAN. I did not have the pleasure of knowing this young man, but I have heard a great deal about him and his exemplary qualities.

Death is tragic at any time, but in a case of this kind it is especially so. Senator McCLELLAN had lost two sons previously. This sudden shock coming into his life is bound to be especially tragic to him. It is difficult sometimes to understand why one person is afflicted with so much sorrow, but all we can do is to trust in our Creator and realize that each of us must bow to His will.

I wish to extend to my esteemed friend and his devoted wife my deepest sympathy during this hour of sorrow.

Mr. JENNER. Mr. President, I wish to associate myself with the expressions of Senators in respect to the death of the son of Senator McCLELLAN. I was deeply shocked to learn of the tragic death of his third son. Words of course cannot adequately express my feelings, but I am sure JOHN McCLELLAN knows his friends and colleagues are with him in his hour of trouble and sorrow.

Mr. MONRONEY. Mr. President, I join with my colleagues in expressing deepest sympathy to Senator McCLELLAN and his family. When a dear friend loses a son words are insufficient to convey the warm sympathetic feeling of friendship and desire to help. When one suffers not once but three times in a relatively short period of time, as has been the lot of Senator McCLELLAN, words are not competent to express the sympathy all of us have and wish to extend to him in this sad hour.

Mr. SMATHERS. Mr. President, for Mrs. Smathers and myself, I should like to join with my colleagues in expressing the deepest sympathy to our able colleague, JOHN McCLELLAN, and to Mrs. McClellan, on the untimely and tragic death of his third son. Senator McCLELLAN has endeared himself not only to his colleagues in the Senate but to many people throughout the United States for his outstanding courage and purest integrity. I know the people of my State would like, through me, to express at this time sympathy to him and his family.

Mr. CAPEHART. Mr. President, I do not have words to express my deep feeling of regret over the death of the son of JOHN McCLELLAN. Mrs. Capehart and I were very friendly to Mr. and Mrs. McClellan. I wish to join other Senators in extending sympathy to both of them in this time of their tragic loss. I happen to have two sons, and I can imagine the feelings Senator McCLELLAN is experiencing.

Mr. CARLSON. Mr. President, on occasions such as this words seem to fail us.

I became a Member of the House of Representatives in the 74th Congress, at the same time the distinguished Senator from Arkansas JOHN McCLELLAN, began his service in the House. We became close friends, and we have been associated very closely since on many occasions. He has been one of my personal friends. This makes my feelings more poignant on an occasion such as this.

I deeply share with JOHN McCLELLAN and his family their bereavement. There are things in this world we do not understand. All I can say is, God moves

in a mysterious way. His wonders to perform.

I have no doubt—and I pray—that during this trying hour some ray of sunshine, some ray of light and some ray of hope will penetrate the gloom for JOHN McCLELLAN and his family.

The PRESIDING OFFICER. The question is on agreeing to the resolution expressing the sorrow of the Senate on the death of the son of Senator McCLELLAN. All in favor of the resolution will stand.

The resolution was unanimously agreed to by a rising vote.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, announced that the House had disagreed to the amendments of the Senate to the bill (H. R. 12591) to extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended, and for other purposes; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. MILLS, Mr. GREGORY, Mr. FORAND, Mr. REED, and Mr. SIMPSON of Pennsylvania were appointed managers on the part of the House at the conference.

The message also announced that the House had disagreed to the amendments of the Senate to the bill (H. R. 13066) making appropriations for the legislative branch for the fiscal year ending June 30, 1959, and for other purposes; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. NORRELL, Mr. KIRWAN, Mr. ROONEY, Mr. CANNON, Mr. HORAN, Mr. Bow, and Mr. TABER were appointed managers on the part of the House at the conference.

The message further announced that the House had agreed to the amendment of the Senate to the bill (H. R. 7729) for the relief of August Widmer.

The message also announced that the House had agreed to the amendments of the Senate to the joint resolution (H. J. Res. 589) for the relief of certain aliens.

LEGISLATIVE PROGRAM

Mr. JOHNSON of Texas. Mr. President, I announce for the information of the Senate that following action on the pending resolution I shall move to take up House Concurrent Resolution 332, Calendar No. 1762, the space resolution of the other body relative to the establishment of plans for the peaceful exploration of outer space. We also expect to consider Senate Resolution 327, the measure which has been reported from the Committee on Rules and Administration, relating to space legislation, tomorrow or the next day; also Calendar No. 1917, Senate Concurrent Resolution 109, a concurrent resolution to express the sense of the Congress on the establishment of the United Nations force, which has been reported from the Committee on Foreign Relations, and will be considered today, if there is time; and Senate Resolution 328, to print, with

additional copies, the joint report entitled "Water Developments and Potentialities."

Mr. CLARK. Mr. President, will the Senator yield?

Mr. JOHNSON of Texas. I yield.

Mr. CLARK. I did not hear the Senator very clearly. I wonder if the District of Columbia teachers' bill is to be taken up today.

Mr. JOHNSON of Texas. I will consult with the Senator on that subject later.

ESTABLISHMENT OF INTERNATIONAL DEVELOPMENT ASSOCIATION

The Senate resumed the consideration of the resolution (S. Res. 264) favoring the establishment of an International Development Association in cooperation with the International Bank for Reconstruction and Development.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Indiana [Mr. CAPEHART]. On this question the yeas and nays have been ordered.

Mr. JOHNSON of Texas. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The question is on agreeing to the amendment offered by the Senator from Indiana [Mr. CAPEHART]. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The Chief Clerk called the roll.

Mr. MANSFIELD. I announce that the Senator from Tennessee [Mr. GORE], the Senator from Missouri [Mr. HENNING], the Senator from Florida [Mr. HOLLAND], and the Senator from Texas [Mr. YARBOROUGH] are absent on official business.

The Senator from Delaware [Mr. FREAR] is absent by leave of the Senate attending the Interparliamentary Union conference in Rio de Janeiro, Brazil.

The Senator from Massachusetts [Mr. KENNEDY] is absent because of illness.

The Senator from Arkansas [Mr. McCLELLAN] is absent because of death in his family.

On this vote, the Senator from Massachusetts [Mr. KENNEDY] is paired with the Senator from West Virginia [Mr. HOBLITZELL]. If present and voting, the Senator from Massachusetts would vote "nay," and the Senator from West Virginia would vote "yea."

I further announce that, if present and voting, the Senator from Delaware [Mr. FREAR], the Senator from Tennessee [Mr. GORE], the Senator from Missouri [Mr. HENNING], the Senator from Florida [Mr. HOLLAND], and the Senator from Texas [Mr. YARBOROUGH] would each vote "nay."

Mr. DIRKSEN. I announce that the Senator from West Virginia [Mr. HOBLITZELL] is absent because of official business, having been appointed by the Vice President to attend the 49th Con-

gress of the Interparliamentary Union in Rio de Janeiro.

The Senator from West Virginia [Mr. REVERCOMB] is absent on official business.

The Senator from West Virginia [Mr. HOBLITZELL] is paired with the Senator from Massachusetts [Mr. KENNEDY]. If present and voting, the Senator from West Virginia would vote "yea," and the Senator from Massachusetts would vote "nay."

The result was announced—yeas 40, nays 47, as follows:

YEAS—40

Allott	Goldwater	Payne
Barrett	Hickenlooper	Potter
Beall	Hruska	Purtell
Bricker	Ives	Saltonstall
Bridges	Javits	Schoeppel
Butler	Jenner	Smith, Maine
Byrd	Knowland	Thurmond
Capehart	Kuchel	Thye
Cooper	Lausche	Watkins
Cotton	Malone	Wiley
Curtis	Martin, Iowa	Williams
Dirksen	Martin, Pa.	Young
Dworschak	Morton	
Ellender	Mundt	

NAYS—47

Alken	Fulbright	Monroney
Anderson	Green	Morse
Bennett	Hayden	Murray
Bible	Hill	Neuberger
Bush	Humphrey	O'Mahoney
Carlson	Jackson	Pastore
Carroll	Johnson, Tex	Proxmire
Case, N. J.	Johnston, S. C.	Robertson
Case, S. Dak.	Jordan	Russell
Chavez	Kefauver	Smathers
Church	Kerr	Smith, N. J.
Clark	Langer	Sparkman
Douglas	Long	Stennis
Eastland	Magnuson	Symington
Ervin	Mansfield	Talmadge
Flanders	McNamara	

NOT VOTING—9

Frear	Hoblitzell	McClellan
Gore	Holland	Revercomb
Hennings	Kennedy	Yarborough

So Mr. CAPEHART's amendment was rejected.

Mr. MONRONEY. Mr. President, I ask for the yeas and nays on the adoption of the resolution.

The PRESIDING OFFICER. The Chair understands the yeas and nays have been ordered.

Mr. JAVITS. Mr. President, I wish to say a word on the resolution. I am in favor of it. The vote which has been taken is illustrative of the situation which makes necessary the adoption of the resolution. The vote represented, on the part of those who voted "nay," the feeling of a great many persons that implicit in the resolution is the provision that all methods of international financing should be studied in addition to the one proposed in the resolution. I voted "yea" for exactly the same reason, namely, that I felt we were expressing in words what has already been implied.

The important point to remember is that the fundamental concept of the Senator from Oklahoma is absolutely correct. It is that there is insufficient capital available from any source, unless it be from foreign aid funds furnished by the United States, with which to do the job that needs to be done in the world. Many of us feel we are frustrated by the conditions we find in the world today, but with which we are unwilling to deal adequately. The fact is, although the amount of money involved

in the International Bank for Reconstruction and Development and in the International Finance Corporation and in the Development Loan Fund appears to be very large—Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order. Senators will desist from conversation. The Senate will be in order. The Senator from New York will not resume his remarks until the Senate is in order. Senators will desist from conversation.

Mr. JAVITS. The fact is that the amount of money available for international lending is not large enough. The best way to illustrate that fact is by showing that the number of legitimate applications which ought to be accepted are 5 to 6 times the amount of money available, even if we were to allow the full \$800 million which is the amount authorized through appropriations.

The fundamental and hard, realistic fact is that the world has grown so much that a billion dollars today means what tens of millions of dollars meant formerly. The fact is that the International Bank for Reconstruction and Development has a capital of \$10 billion, and that is not enough.

What the Senator from Oklahoma is trying to do is to tap new sources of capital. There are now two sources from which money can be loaned in the international field. They are the various lending agencies, and United States foreign aid. United States foreign aid may or may not be increased, because there is always some serious resistance to it. The international lending agencies have their own problems in terms of limitations.

We have to go to yet a third course, and that is to make some temporary arrangements for particular situations with other countries to be our partners in respect to the job of world financing which needs to be done.

The Senator from Oklahoma offers us an alternative, a way in which to go into partnership with other countries, some of whom may have only soft currencies, in order to help carry some of the load of international financing, which is indispensable if we are to meet the Russians and beat them on the ground of international competition.

There is still a fourth way. It may be that one day some of us will come forward with a proposal for international lending by financing with American private capital in some enormous mutual effort, some multi-billion-dollar effort.

But, in the meantime, the Senator from Oklahoma offers us a line along which we can try to make some measurable achievement in the field.

I have lived with this problem for a long time. I had the honor in the other body to be the chairman of a subcommittee which dealt with foreign economic policy.

Unless we solve this problem equally with the solution of the problem with reference to feudal societies which are trying to find their way into a new nationalism, which is a problem that is now implicit, we can be defeated, which is something we do not often realize.

We think that, traditionally, we have to win. We could lose. It is the fruitfulness of such new ideas as this which will enable us to win. We ought to try such ideas, take advantage of them, and study them.

I think we should be grateful to the Senator from Oklahoma for giving to us an opportunity of having a totally new approach in a totally new field. We should try to get some help for ourselves in an area in which we sorely need help; namely, the financing of the tremendous load in backward areas of the world today.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. JAVITS. I yield.

Mr. LAUSCHE. Do I understand correctly that the junior Senator from New York voted against the Capehart amendment because he understood that under the language of the resolution a determination of the need for a new lending agency could not be made unless a study was also made of the lending powers now vested in the existing institutions?

Mr. JAVITS. I voted for the Capehart amendment exactly because I was willing to spell out in words the fact that in a study of the International Development Association, which is called for by the resolution, other mediums of other international financing should be considered.

I believe the Senator from Oklahoma was right when he said that the words in the resolution include such a study anyhow, and that the study will include it. But since the Senator from Indiana felt that he wanted to spell out that proposal in words, I was willing to go along with him.

Mr. LAUSCHE. I listened to the comments made by the Senator from Connecticut [Mr. BUSH] and the Senator from Oklahoma [Mr. MONRONEY] to the effect that implicit in the language of the resolution is the need for making a study of the lending powers of all existing institutions, to determine whether a new one is needed.

Mr. JAVITS. That is exactly correct. The Senator from Oklahoma was very frank in stating that the language now contained on lines 8 and 9, page 3—"to supplement International Bank lending activities"—included that concept.

For that reason, although I am very much in favor of the resolution, I felt that no harm at all would be done by including language to spell out that intent.

Mr. LAUSCHE. I contemplate voting for the resolution on the basis that in order to determine the need for a new lending institution it will be necessary to ascertain what powers the existing institutions have; and if their powers are not adequate to meet the purpose of the resolution, then a determination will be made, of course, as to whether another lending institution is necessary.

Mr. JAVITS. I think the Senator from Ohio is quite justified in voting on that basis as stated in the RECORD.

Mr. MONRONEY. Mr. President, I ask unanimous consent that samples of editorial comment on Senate Resolution 264 be printed at this point in the RECORD.

There being no objection, the editorial comment was ordered to be printed in the RECORD, as follows:

EDITORIAL COMMENT ON SENATE RESOLUTION 264

Christian Science Monitor, March 3, 1958: " * * a timely, creative, and economical idea for action in a direction others have also urged."

New York Times, February 24, 1958: " * * might grow to the point where large grants through other agencies wouldn't be so necessary. Certainly this device would be a relief to some recipient countries whose inhabitants are tired of being regarded as poor relations."

Providence Journal, March 8, 1958: "The international institution proposed by Mr. MONRONEY is designed to accommodate a needy nation. In so doing it would not only serve that nation, but its service would be of inestimable benefit to the rest of the Free World, including particularly the United States."

Washington Star, March 14, 1958: " * * offers a new approach which might be helpful and constructive. It should be examined seriously in the Senate."

Youngstown Vindicator, March 4, 1958: " * * seems to have obvious merits. It is good to hear that the administration is giving it serious study."

Pittsburgh Post-Gazette, March 10, 1958: " * * plan is based on extensive consultation with experts here and abroad. It offers a welcome new approach to the problem of assisting other countries looking to the Free World for aid."

St. Louis Post-Dispatch, March 12, 1958: "Senator MONRONEY's resolution is not something he has just pulled out of a hat. He has been testing it on economists, Government officials, diplomats, and others for a year and a half. The response, he reports, has been overwhelmingly favorable. Both Congress and the White House ought to give it a warm and sympathetic hearing."

Denver Post, March 12, 1958: "It seems to us that the plan has much to commend it, and that it should receive a warm reception from a Congress that is looking with more suspicion than ever at handouts."

Richmond News Leader, March 12, 1958: " * * program makes sense—as much sense as anything can make in the wonderland world of global spending—and merits approval as the next-best policy that could be adopted."

New York Post, March 9, 1958: " * * a new economic assistance plan that could relieve the United States of a considerable financial burden and at the same time strengthen and broaden the concept of foreign aid."

Springfield Illinois State Journal, March 12, 1958: "Taxpayers in this area as well as elsewhere should cheer the bipartisan effort * * to shift the emphasis off our foreign aid program from a giveaway basis to a loan basis."

Kansas City Times, March 10, 1958: "It strikes us that the proposal for a sort of second-echelon World Bank deserve serious consideration. It is a rare and refreshing thing these days to hear an imaginative idea in the foreign policy field."

St. Petersburg Times, March 4, 1958: " * * the most imaginative idea in foreign aid since the Marshall plan was suggested in 1947."

BIBLIOGRAPHY OF EDITORIAL COLUMNS AND NEWS REFERENCES ON THE INTERNATIONAL DEVELOPMENT ASSOCIATION

EDITORIALS

1. New York Times, February 24.
2. Baltimore Sun, February 25.
3. Dayton News, February 25.
4. Springfield (Ohio) News, February 27.

5. New York Journal of Commerce, February 27.
6. Dayton News, March 1.
7. Decatur (Ill.) Herald, March 2.
8. St. Louis Post-Dispatch, March 2.
9. New York Times, March 2.
10. Christian Science Monitor, March 3.
11. Springfield (Ohio) News, March 4.
12. Youngstown Vindicator, March 4.
13. St. Petersburg Times, March 4.
14. Green Bay (Wis.) Gazette, March 4.
15. Wall Street Journal, March 7.
16. Providence Journal, March 8.
17. Washington Post, March 8.
18. Augusta (Ga.) Chronicle, March 8.
19. New York Post, March 9.
20. Pittsburgh Post-Gazette, March 10.
21. Kansas City Times, March 10.
22. Charlotte Observer, March 10.
23. Altus (Okla.) Times-Democrat, March 10.
24. Macon (Ga.) Telegraph, March 11.
25. Toledo Blade, March 11.
26. Syracuse Herald-Journal, March 11.
27. Springfield (Ill.) State Journal, March 12.
28. Chicago Daily News, March 12.
29. Richmond News-Leader, March 12.
30. Denver Post, March 12.
31. St. Louis Post-Dispatch, March 12.
32. Manila Times, March 12.
33. Washington Star, March 13.
34. Sherman (Tex.) Democrat, March 17.
35. Houston Chronicle, March 19.
36. Oklahoma City Daily Oklahoman, March 19.
37. Decatur (Ill.) Herald, March 20.
38. Memphis Commercial Appeal, March 21.
39. Aurora (Ill.) Beacon-News, March 21.
40. Waco (Tex.) News-Tribune, March 21.
41. Memphis Commercial Appeal, March 22.
42. Memphis Commercial Appeal, March 23.
43. Des Moines Register, March 24.
44. Topeka State Journal, March 25.
45. Las Vegas Sun, March 25.
46. Montpelier (Vt.) Argus, March 25.
47. Northern Virginia Sun, March 27.
48. San Francisco Chronicle, March 30.
49. Monroe (La.) News-Star, March 31.
50. San Antonio Light, April 17.
51. Baltimore News Post, April 29.
52. Christian Science Monitor, May 25.
53. Kansas City Star, May 27.
54. Wichita Eagle, June 1.
55. Dayton News, June 4.
56. Commonweal, June 13.
57. San Francisco Chronicle, June 15.
58. Newark News, July 5.
59. Wichita Falls (Tex.) Times.

NEWS REFERENCES

1. New York Times, February 23.
2. New York Times, February 24.
3. New York Times, March 19.
4. New York Times, March 21.
5. New York Times, May 26.
6. Wall Street Journal, June 11.
7. New York Times, June 11.
8. Washington Post, July 13.
9. Washington Star, July 13.
10. New York Times, July 13.

Mr. MONRONEY. Mr. President, I ask unanimous consent that a letter from Secretary of the Treasury Anderson summarizing the role and activities of the National Advisory Council on International Monetary and Financial Problems be printed at this point in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

THE SECRETARY OF THE TREASURY

Washington, D. C., June 4, 1958.

HON. A. S. MIKE MONRONEY,
United States Senate.

DEAR SENATOR MONRONEY: This is in reply to your request for information on the con-

stitution and activities of the National Advisory Council on International Monetary and Financial Problems, contained in your letter of June 2, 1958.

The Council was established by the Bretton Woods Agreements Act (22 U. S. C. 286) to "coordinate, by consultation or otherwise, so far as is practicable, the policies and operations of the representatives of the United States on the [International Monetary] Fund and the [International] Bank, the Export-Import Bank of Washington and all other agencies of the Government to the extent that they make or participate in the making of foreign loans or engage in foreign financial, exchange, or monetary transactions." The Council was given similar powers of coordination with respect to the International Finance Corporation by the International Finance Corporation Act (22 U. S. C. 282). The coordinating function of the Council is applicable to the Development Loan Fund, as an agency of the Government engaging in foreign financial transactions (22 U. S. C. 1876).

With respect specifically to the International Monetary Fund and the International Bank for Reconstruction and Development, section 4 (b) of the Bretton Woods Agreements Act contains the following additional directives to the Council:

"(1) The Council, after consultation with the representatives of the United States on the Fund and the Bank, shall recommend to the President general policy directives for the guidance of the representatives of the United States on the Fund and the Bank.

"(2) The Council shall advise and consult with the President and the representatives of the United States on the Fund and the Bank on major problems arising in the administration of the Fund and the Bank."

"(4) Whenever, under the articles of agreement of the Fund or the articles of agreement of the Bank, the approval, consent, or agreement of the United States is required before an act may be done by the respective institutions, the decision as to whether such approval, consent, or agreement, shall be given or refused shall (to the extent such decision is not prohibited by section 5 of this act) be made by the Council, under the general direction of the President. No governor, executive director, or alternate representing the United States shall vote in favor of any waiver of condition under article V, section 4, or in favor of any declaration of the United States dollar as a scarce currency under article VII, section 3, of the articles of agreement of the Fund, without prior approval of the Council."

These provisions were also made applicable to the International Finance Corporation by section 4 of the International Finance Corporation Act.

The Council consists of the Secretary of the Treasury, as Chairman, the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, and the President of the Export-Import Bank of Washington.

The United States Executive Director of the International Monetary Fund and the United States Executive Director of the International Bank and Director of the International Finance Corporation, or their alternates, regularly participate in the work and meetings of the Council and its staff committee. Representatives of the International Cooperation Administration, the Bureau of the Budget, and the Department of Agriculture also participate regularly. Representatives of other agencies interested in particular problems, such as the Department of Defense, the Atomic Energy Commission, and the Development Loan Fund, attend when matters of importance to them are under consideration.

Formal meetings of the Council members or their alternates are held when the busi-

ness of the Council requires personal discussion, usually with respect to major policy problems. On many other matters, the Council frequently takes actions by means of a poll without a meeting, on the basis of the analysis presented by the staff committee of the Council.

Preparatory staff work is done by the staff committee, which consists of senior staff members from the constituent agencies of the Council. The staff committee meets whenever required by the business of the Council, usually about once a week. Problems requiring special technical studies are referred to working groups established by the staff committee. These groups, which consist of staff members of the agencies concerned with the given problem, submit their reports to the staff committee, which may in turn make recommendations to the Council.

The Council and staff committee are assisted in their work by a small secretariat provided by the Treasury Department. The secretariat has the responsibility of circulating documents, preparing for meetings, keeping records, and preparing drafts of the semiannual and biennial reports of the Council to the President and to the Congress. In order to facilitate the Council's function of policy coordination, the staff committee and secretariat from time to time collect and analyze data on matters of interest to the Council, and prepare special studies which are needed for the work of the Council.

The Council's actions are circulated among the interested executive agencies. From time to time the agencies concerned with matters which have been considered by the Council, such as the Export-Import Bank, make public announcements of actions which they have taken after consultation with the Council.

As provided by law, full reports of the Council's activities are submitted to the President and the Congress at 6-month intervals, and special reports are submitted on the operations and policies of the fund, the bank and the International Finance Corporation, at 2-year intervals. Apart from its reports to the President and the Congress, the Council normally does not issue material or documents publicly. The Council in 1947, however, submitted a special report to the Senate Committee on Finance on the foreign assets and liabilities of the United States and its balance of international transactions, in response to Senate Resolution 103, 80th Congress, 1st session.

I trust that this information on the Council and its activities will be of assistance to you.

Sincerely yours,

ROBERT B. ANDERSON,
Chairman, National Advisory Council on International Monetary and Financial Problems.

Mr. MONRONEY. Mr. President, I ask unanimous consent that the following items pertaining to Senate Resolution 264 be printed at this point in the RECORD:

First. A letter from Guilford Jameson, Deputy Director for Congressional Relations, International Cooperation Administration, to Robert A. Wallace, staff director, Committee on Banking and Currency, concerning loans of foreign currencies under Public Law 480, section 104 (d) and (g).

Second. A document Legislation Relating to Foreign Currency, Fiscal Years 1954-57, prepared by the Division of Central Reports, Bureau of Accounts, Treasury Department.

There being no objection, the letter and document were ordered to be printed in the RECORD, as follows:

INTERNATIONAL COOPERATION
ADMINISTRATION,
Washington, D. C.

Mr. ROBERT A. WALLACE,

Staff Director, Committee on Banking and Currency, United States Senate, Washington, D. C.

DEAR MR. WALLACE: This is in further reply to your letter of April 25, 1958, to Mr. Paarlberg which was referred to ICA for reply. This agency is responsible for administering the use of local currencies reserved for purchases for other friendly countries and for loans to foreign governments to promote multilateral trade and economic development under section 104 (d) and (g) of Public Law 480, as amended.

In accordance with your request, a descriptive list of transactions which have been authorized under section 104 (d) from the inception of the program through May 31, 1958, is enclosed, marked "Attachment A." A revised table, similar to that included on page 204 of the hearings before the Banking and Currency Subcommittee on Senate Resolution 264 on March 18-20, 1958, is also included, marked "Attachment B," since the table submitted for the record was not entirely correct. The attached table reflects the status of the program as of May 31, 1958, and indicates by footnote the changes which have occurred in the program since December 31, 1957.

As indicated in attachment B, a total of \$37 million equivalent of sales proceeds has been earmarked or allocated under section 104 (d) for purchases for third countries. Of this amount, use of \$19.3 million equivalent (including an exchange loss of \$1 million) has been authorized. In addition, firm programs have been developed and negotiations are under way to use \$12.4 million equivalent more of these funds, leaving a balance of about \$5.3 million equivalent for future programing, plus amounts which may be allocated from Public Law 480 funds reserved for various United States uses.

The act provides that unless the requirement is waived, dollar reimbursement must be made to the Commodity Credit Corporation if the foreign currency is used to provide goods to aid-receiving countries on a grant basis. Of the \$18.3 million equivalent programed (excluding the exchange loss referred to above) ICA has purchased \$8.8 million equivalent with dollars appropriated for the Mutual Security program. The Department of the Army used about \$3.3 million equivalent of yen for relief purposes in the Ryukyu Islands and obtained a waiver of the dollar reimbursement requirement for these funds. About \$2 million of Austrian schillings were exchanged for Spanish pesetas and \$4.2 million equivalent has been made available on a loan basis, including a loan of \$2.5 million of Italian lire to Israel and \$1.7 million of Finn marks to Indonesia.

With reference to your request for copies of typical agreements negotiated under section 104 (d), the sales agreements with countries purchasing United States surplus agricultural commodities include agreement on the use of the local currency proceeds of the sale. Amounts to be used to finance purchases of goods for third countries may either be specified or the agreement may provide that unspecified amounts of currencies which will be set aside for various United States uses may be used for this purpose. In authorizing such purchases by third countries, ICA usually issues a foreign currency authorization. A copy of this form, including the general provisions relating to such procurement, is enclosed marked "Attachment C." Upon acceptance by the cooperating country, this document constitutes an agreement with the United States. If the

currency is loaned to the purchasing country, a loan agreement setting forth the terms and conditions of repayment must also be executed.

Possibilities for developing section 104 (d) transactions are limited. Most Public Law 480 sales are made to underdeveloped countries whose production is limited and inadequate for their own needs. Moreover, we cannot use large amounts of local currency of a given country from Public Law 480 deposits to remove resources from that country to another without reducing the foreign exchange earnings of the former and its capacity to pay for the importation of capital goods needed for its own economic development.

As indicated above, \$4.2 million of local currency under Public Law 480 has been loaned to other friendly countries for the purpose of financing the export of goods from the country of the currency concerned to the country to which such currency is loaned by the United States.

Section 104 (g) of the act authorizes loans to promote multilateral trade and economic development. Sales agreements signed since the beginning of the Public Law 480 program in fiscal year 1955 through May 31, 1958, include provision for \$1.4 billion of such loans to countries which purchased surplus commodities. If the language of section 104 (g) is taken in its entirety and the limitations on the use of local currencies in less developed countries are sufficiently understood, it is clear that the notions of multilateral trade and economic development as used in this section cannot very well be considered apart from one another. Funds loaned under section 104 (g) may be used to cover local costs of labor and materials for projects designed to increase power output and production, and to improve transportation and marketing facilities. As economic development progresses and the currency becomes more freely convertible the country's capacity to participate in multilateral trade is enhanced.

No doubt you are aware, that beginning in 1956 a certain percentage of all loans under section 104 (g) were reserved for re-lending to private investors which in turn should have a more immediate effect on multilateral trade than social overhead or

public works projects. This practice has been largely replaced since the adoption of the so-called Cooley amendment to section 104 (e) in this year's Public Law 480 program.

If ICA can be of any further help in these matters, please let me know.

Sincerely yours,

GUILFORD JAMESON,
Deputy Director for
Congressional Relations.

ATTACHMENT A.—Transactions authorized under section 104 (d) of Public Law 480, as amended as of May 31, 1958

[Million dollars equivalent]

1. Finn marks: Total \$3.7.
 - (a) \$1.7 loaned to Indonesia to purchase a ship.
 - (b) \$1 granted to Korea to purchase paper.
 - (c) \$1 loss in equivalent value because of devaluation of the Finn mark.
2. Italian lire: Total \$6.5.
 - (a) \$2.5 loaned and \$2.5 granted to Israel to purchase textiles; copper; iron and steel; chemicals; lumber; pulp and paper and non-metallic minerals.
 - (b) \$1.5 granted to Korea to purchase rayon and artificial fibers.
3. Japanese yen: Total \$6.3.
 - (a) \$1.2 granted to Taiwan to purchase cement.
 - (b) \$1.8 granted to Vietnam to purchase textiles.
 - (c) \$3.3 granted to provide civilian relief in the Ryukyu Islands, following a disastrous typhoon. This was handled by the Department of the Army, which has administrative control over the Ryukyu Islands.
4. Austrian schillings: Total \$2.8.
 - (a) \$0.8 granted to Spain for the procurement of rails.
 - (b) \$2 to be exchanged for Spanish pesetas acquired by Austria from the sale of fertilizer to Spain according to the terms of the fiscal year 1956 sales agreements. Sixty percent of the pesetas so acquired by the United States may be loaned to Spain and 40 percent retained for United States uses. (ICA, June 9, 1958.)

ATTACHMENT B.—Cumulative status of program as of May 31, 1958—Purchases of goods and services for third countries under section 104 (d) of Public Law 480, as amended

[Million dollars equivalent]

Sales proceeds from:	Total earmarked or allocated
Austria.....	12.8
Finland.....	3.7
France.....	4.6
India.....	5.0
Italy.....	10.0
Japan.....	10.9
Grand total.....	37.0
Purchases programed for:	Total
Burma.....	(1)
Ceylon.....	(2)
China (Taiwan).....	1.2
India.....	(2)
Indonesia.....	1.7
Israel.....	5.0
Korea.....	2.5
Pakistan.....	(2)
Ryukyu Islands.....	3.3
Spain.....	2.8
Thailand.....	(2)
Vietnam.....	1.8

Subtotal..... 18.3
Adjustment (difference in exchange rates)..... 1.0

Grand total..... 19.3

Adjustments in program since December 31, 1957 (all data in million dollars equivalent).

¹ Program for purchase of rails for Spain reduced from \$1.1 to \$0.8.

² Allocation of \$13 of Finn marks (calculated at original rate of exchange) reduced to \$3.7 and consideration of tentative programs for purchases of ships for four Southeast Asian countries postponed. Loss in exchange value calculated on the basis of reduced allocation.

³ Includes \$3.8 earmarked in sales agreement signed February 28, 1958.

⁴ Program in abeyance. (ICA, June 9, 1958.)

ATTACHMENT C.—LEGISLATION RELATING TO FOREIGN CURRENCY, FISCAL YEARS 1954-57

Prepared by Division of Central Reports, Bureau of Accounts, Treasury Department

Foreign currency provisions enacted in fiscal years 1954-57

A. RELATING TO CURRENCIES THE USE OF WHICH REQUIRES REIMBURSEMENT TO THE TREASURY

1. GENERAL LEGISLATION

Fiscal year	Act	Provisions
1954.....	Supplemental Appropriation Act, 1954, Public Law 207, Aug. 7, 1953, sec. 1313.	"* * * foreign credits (including currencies) owed to or owned by the United States may be used by Federal agencies for any purpose, * * * only when reimbursement therefor is made to the Treasury from the applicable appropriations of the agency concerned: * * *"
1955.....	Supplemental Appropriation Act, 1955, Public Law 663, Aug. 26, 1954, sec. 1310.	"* * * foreign credits (including currencies) owed to or owned by the United States may be used by Federal agencies for any purpose for which appropriations are made for the current fiscal year * * * and for liquidation of obligations legally incurred against such credits prior to July 1, 1953, only when reimbursement therefor is made to the Treasury from applicable appropriations of the agency concerned: * * *"
1956.....	General Government Matters Appropriation Act, 1956, Public Law 110, June 29, 1955, sec. 209.	Do.
1957.....	General Government Matters Appropriation Act, 1957, Public Law 578, June 13, 1956, sec. 209.	Do.

2. SALES OF SURPLUS AGRICULTURAL COMMODITIES

1955.....	Agricultural Trade Development and Assistance Act of 1954, Public Law 480, July 10, 1954, secs. 104 and 105.	"* * * all foreign currencies used for grants under subsections (d) and (e) and for payment of United States obligations involving grants under subsection (f) and to not less than 10 per centum of the foreign currencies which accrue under this title: <i>Provided, however</i> , That the President is authorized to waive such applicability of section 1415 * * *" "Sec. 105. Foreign currencies received pursuant to this title shall be deposited in a special account to the credit of the United States and shall be used only pursuant to section 104 of this title, and any department or agency of the Government using any of such currencies for a purpose for which funds have been appropriated shall reimburse the Commodity Credit Corporation in an amount equivalent to the dollar value of the currencies used."
-----------	--	--

Foreign currency provisions enacted in fiscal years 1954-57—Continued

A. RELATING TO CURRENCIES THE USE OF WHICH REQUIRES REIMBURSEMENT TO THE TREASURY—Continued

3. SALES OF AGRICULTURAL COMMODITIES TO SPAIN

Fiscal year	Act	Provisions
1955.....	Mutual Security Appropriation Act, 1955, Public Law 778, Sept. 3, 1954, sec. 109.	Sec. 109 provides that "\$55,000,000 of unobligated balances continued available under the Act shall be available only for the procurement and sale, * * * of surplus agricultural commodities as assistance to Spain during the current year, provided that 80 per centum of the currencies generated hereunder shall be used to strengthen and improve the civilian economy of Spain, the balance to be available for use of the United States."

B. RELATING TO CURRENCIES THE USE OF WHICH DOES NOT REQUIRE REIMBURSEMENT TO THE TREASURY

1. CONGRESSIONAL TRAVEL

1954.....	Mutual Security Act of 1953, Public Law 118, July 16, 1953, sec. 708 (c).	Foreign currencies may be used for local currency requirements of appropriate committees of Congress engaged in carrying out their duties.
1955.....	Mutual Security Act of 1954, Public Law 665, Aug. 26, 1954, sec. 502 (b).	"* * * Local currencies owned by the United States shall be made available to appropriate committees of the Congress engaged in carrying out their duties * * * for their local currency expenses: * * *"

2. PRIOR OBLIGATIONS

1954.....	Supplemental Appropriation Act, 1954, Public Law 297, Aug. 7, 1953, sec. 1313. Mutual Security Act of 1953, Public Law 118, July 16, 1953, sec. 548 (b).	"Provided, That such credits may be used until June 30, 1954, without reimbursement to the Treasury, for liquidation of obligations legally incurred against such credits prior to July 1, 1953: * * *" "(b) Amounts appropriated * * * available for purchase of foreign currencies (including foreign currencies or credits owed to or owned by the United States): Provided, That such currencies or credits are authorized to be made available for use, without reimbursement to the Treasury, for liquidation of obligations legally incurred against such currencies prior to July 1, 1953."
1955.....	Mutual Security Appropriation Act, 1955, Public Law 778, Sept. 3, 1954, sec. 104.	Sec. 104 provides that "not to exceed the equivalent of \$25,000,000 of foreign currencies * * * shall remain available until expended, without reimbursement to the Treasury, for liquidation of obligations incurred * * * prior to July 1, 1953, * * * and hereafter, foreign currencies generated under the provisions of this Act shall be utilized only for the purposes for which the funds providing the commodities which generated the currency were appropriated (except as specifically provided in sec. 109)."
1956.....	Mutual Security Act of 1956, Public Law 208, Aug. 2, 1955, sec. 104.	"* * * not to exceed the equivalent of \$25,000,000 of foreign currencies or credits owed to or owned by the United States shall remain available until June 30, 1956, without reimbursement to the Treasury, for liquidation of obligations incurred against such currencies or credits prior to July 1, 1953 * * *"
1957.....	Mutual Security Appropriation Act, 1957, Public Law 853, Aug. 2, 1956, sec. 103.	"* * * not to exceed the equivalent of \$2,000,000 of foreign currencies or credits owed to or owned by the United States shall remain available until expended, without reimbursement to the Treasury, for liquidation of obligations incurred prior to July 1, 1953 * * *"

3. SALES OF AGRICULTURAL PRODUCTS

1954.....	Mutual Security Act of 1953, Public Law 118, July 16, 1953, sec. 550.	"The President is authorized to enter into agreements with friendly countries for the sale of and export of such surplus agricultural commodities * * * and to accept in payment therefor local currency for the account of the United States." The act authorizes the President to use the currencies without reimbursement to the Treasury, including the making of loans.
1955.....	Mutual Security Act of 1954, Public Law 665, Aug. 26, 1954, secs. 402 and 502 (a).	Sec. 402: "* * * not less than \$350,000,000 shall be used to finance the export and sale for foreign currencies of surplus agricultural commodities or products, in addition to surplus, transferred pursuant to the Agricultural Trade Development and Assistance Act of 1954, * * *. Foreign currency proceeds accruing from such sales shall be used for the purposes of this Act, * * *. the President may use or enter into agreements with friendly nations or organizations of nations to use for such purposes the foreign currencies which accrue to the United States under this section."
	Agricultural Trade Development and Assistance Act of 1954, Public Law 480, July 10, 1954, secs. 103 and 104.	Sec. 502 (a): "* * * proceeds of sales made under section 550 of the Mutual Security Act of 1951, as amended, shall remain available and shall be used for any of the purposes of this Act, * * *" Sec. 103 (a): "* * * to the extent the Commodity Credit Corporation is not reimbursed under section 105 for commodities disposed of and costs incurred under titles I and II of this Act, there are hereby authorized to be appropriated such sums as are equal to * * * all costs incurred by the Corporation in making funds available to finance the exportation of surplus agricultural commodities pursuant to this title, * * *" Sec. 104: "* * * the President may use or enter into agreements with friendly nations or organizations of nations to use the foreign currencies which accrue under this title * * *"
1956.....	Mutual Security Act of 1955, Public Law 138, July 8, 1955, sec. 8 (b).	Amends sec. 402 above by striking out "not less than \$350,000,000" and inserting in lieu thereof, "for the fiscal year 1956, not less than \$300,000,000."
1957.....	Mutual Security Act of 1956, Public Law 726, July 18, 1956, sec. 8 (b).	Amends sec. 402 above by adding, "and of the funds so authorized for the fiscal year 1957, not less than \$250,000,000."
	Public Law 387, Aug. 12, 1955.....	Amended sec. 103 (b) above "* * * by striking out \$700,000,000 and inserting in lieu thereof \$1,500,000,000, * * * not to be apportioned by year or by country, but shall be considered as an objective as well as a limitation, to be reached * * *"
	Public Law 962, Aug. 3, 1956.....	Amended sec. 103 (b) above "* * * by striking out \$1,500,000,000, and inserting in lieu thereof \$3,000,000,000."

C. PROVIDING SPECIFICALLY FOR RESERVATIONS OF CURRENCIES

1. EDUCATIONAL EXCHANGES (FULBRIGHT PROGRAM)

1955.....	Mutual Security Act of 1954, Public Law 665, Aug. 26, 1954, sec. 514.	Sec. 514: "* * * Foreign currencies or credits owed to or owned by the United States, where arising from this Act or otherwise, shall, upon a request from the Secretary of State certifying that such funds are required, * * * be reserved by the Secretary of the Treasury for sale to the Department of State for such activities on the basis of the dollar value at the time of the reservation."
-----------	---	---

D. PROVIDING THAT THE USE OF APPROPRIATED FUNDS IS CONTINGENT ON PURCHASE OF CURRENCIES FROM THE TREASURY

1. ACQUISITION OF BUILDINGS ABROAD

1954.....	Foreign Service Building Act, July 25, 1946, sec. 643, Public Law 547.	"* * * not to exceed \$110,000,000 shall be available exclusively for payments * * * of property or credits * * * which property or credits may be used by the Department of State * * *"
1955.....	Department of State Appropriation Act, 1955, Public Law 471, July 2, 1954, title I.	"* * * of which not less than \$2,000,000 shall be used to purchase foreign currencies or credits owed to or owned by the Treasury of the United States, * * *"
1956.....	Department of State Appropriation Act, 1956, Public Law 133, July 7, 1955, title I.	"* * * of which not less than \$7,500,000 shall be used to purchase foreign currencies or credits owed to or owned by the Treasury of the United States, * * *"
1957.....	Department of State Appropriation Act, 1957, Public Law 603, June 20, 1956, title I.	"* * * of which not less than \$14,000,000 shall be used to purchase foreign currencies or credits owed to or owned by the Treasury of the United States, * * *"

2. UNITED STATES INFORMATION AGENCY

1955.....	U. S. Information Agency Appropriation Act, 1955, Public Law 471, July 12, 1954, title IV.	"* * * not less than \$8,000,000 shall be used to purchase foreign currencies or credits owed to or owned by the Treasury of the United States."
1956.....	U. S. Information Agency Appropriation Act, 1956, Public Law 133, July 7, 1955, title IV.	"* * * not less than \$8,000,000 shall be used to purchase foreign currencies or credits owed to or owned by the Treasury of the United States * * *"
1957.....	U. S. Information Agency Appropriation Act, 1957, Public Law 603, June 20, 1956, title IV.	"* * * not less than \$9,000,000 shall be used to purchase foreign currencies or credits owed to or owned by the Treasury of the United States * * *"

Foreign currency provisions enacted in fiscal years 1954-57—Continued

D. PROVIDING THAT THE USE OF APPROPRIATED FUNDS IS CONTINGENT ON PURCHASE OF CURRENCIES FROM THE TREASURY—Continued

3. INTERNATIONAL EDUCATIONAL EXCHANGE ACTIVITIES

Fiscal year	Act	Provisions
1955.....	Department of State Appropriation Act, 1955, Public Law 471, July 2, 1954, title I.	"* * * not less than \$7,500,166 shall be used to purchase foreign currencies or credits owed to or owned by the Treasury of the United States."
1956.....	Department of State Appropriation Act, 1956, Public Law 133, July 7, 1955, title I.	"* * * not less than \$8,000,000 shall be used to purchase foreign currencies or credits owed to or owned by the Treasury of the United States."
1957.....	Department of State Appropriation Act, 1957, Public Law 603, June 20, 1956, title I.	"* * * not less than \$7,000,000 shall be used to purchase foreign currencies or credits owed to or owned by the Treasury of the United States."

4. MILITARY HOUSING

1955.....	Public Law 765, Sept. 1, 1954, sec. 407.....	"The Secretary of Defense is authorized, * * * to construct, or acquire by lease or otherwise, family housing * * * in foreign countries to the value of \$25,000,000 through the use of foreign currencies in accordance with the Agricultural Trade Development and Assistance Act of 1954 * * * shall reimburse the Commodity Credit Corporation * * * the value of such foreign currencies used during any fiscal year * * *"
1956.....	Military Construction Act, Public Law 161, July 15, 1955, sec. 507.	Amends sec. 407 as follows: " * * * quarters in foreign countries through housing projects which utilize foreign currencies to a value not in excess of \$100,000,000 * * *. The Department of Defense shall pay the Commodity Credit Corporation * * *. Provided, That such payments shall not exceed the dollar equivalent of the value of the foreign currencies used * * *"
1957.....	Military Construction Act, Public Law 968, Aug. 3, 1956, sec. 411 (a).	Amends sec. 407 by increase of limitation on "foreign currencies to a value not to exceed \$250,000,000 * * *"

5. SALARIES AND EXPENSES

1955.....	Department of State Appropriation Act, 1955, Public Law 471, July 2, 1954, title I.	"* * * not less than \$8,000,000, shall, if possible, be used to purchase foreign currencies or credits owed to or owned by the Treasury of the United States, * * *"
1956.....	Department of State Appropriation Act, 1956, Public Law 133, July 7, 1955, title I.	"* * * not less than \$8,000,000, shall, if possible, be used to purchase foreign currencies or credits owed to or owned by the Treasury of the United States, * * *"
1957.....	Department of State Appropriation Act, 1957, Public Law 603, June 20, 1956, title I.	"* * * not less than \$9,000,000, shall be used to purchase foreign currencies or credits owed to or owned by the Treasury of the United States * * *"

E. MISCELLANEOUS PROVISIONS HAVING A BEARING ON FOREIGN CURRENCIES

1. PROCEEDS FROM SALE OF SCRAP BY DEPARTMENT OF DEFENSE

1954.....	Public Law 179, Aug. 1, 1953, sec. 622.....	Same legislation as in fiscal year 1955, except each of the Departments of Army, Navy, and Air Force had a \$10,000,000 limitation.
1955.....	Public Law 458, June 30, 1954, sec. 715.....	This legislation authorizes repayment to appropriations during the fiscal year of proceeds from the sale of scrap or salvage materials up to \$40,000,000 for the Department of Defense as a whole. (Part of repayment may result from sale of goods for foreign currencies.)
1956.....	Public Law 157, July 13, 1955, sec. 615.....	"* * * not more than \$31,000,000 of the amounts received during the current fiscal year * * * shall be available during the current fiscal year for expenses * * *"
1957.....	Public Law 639, July 2, 1956, sec. 612.....	"* * * not more than \$41,000,000 of the * * * proceeds from the sale of scrap * * * shall be available during the current fiscal year for expenses * * *"

2. LOAN ASSISTANCE

1954.....	Mutual Security Act of 1953, Public Law 118, July 16, 1953, sec. 908 (b).	Amends sec. 115 (b) (6) of 1948 act relating to counterpart funds, as follows: " * * * whenever funds from such special account are used by a country to make loans, all funds received in repayment of such loans * * * shall be reused only for such purposes as shall have been agreed to between the country and the Government of the United States."
1955.....	Mutual Security Act of 1954, Public Law 665, Aug. 26, 1954, sec. 505 (b). ¹	"(b) Of the funds made available pursuant to this Act and foreign currencies accruing to the United States under section 402, the equivalent of not less than \$200,000,000 shall be available only for the furnishing of assistance on terms of repayment. Funds for the purpose of furnishing assistance on terms of repayment shall be allocated to the Export-Import Bank of Washington, * * *"
1956.....	Mutual Security Act of 1955, Public Law 138, July 8, 1955, sec. 9 (c).	Amends sec. 505 (a) of 1954 act by adding the following: "and shall emphasize loans rather than grants whenever possible." Also, "whenever commodities or services are sold for foreign currencies, the President, * * * may use and enter into arrangements with friendly nations or organizations of nations to use such currencies * * *"

3. INFORMATIONAL MEDIA GUARANTIES

1954 and prior..	Economic Cooperation Act of 1948, Public Law 472, Apr. 3, 1948, sec. 111 (b) (3) (i).	Guaranties of investments not to exceed \$15,000,000 in the 1st year. " * * * limited to the transfer into United States dollars of other currencies, or credits in such currencies, * * *"
1955.....	Mutual Security Act of 1954, Public Law 665, Aug. 26, 1954, sec. 544 (a).	Amends title 22, United States Code, sec. 1431, by adding: "SEC. 1011. The Director of the United States Information Agency may make guaranties * * * of investments in enterprises producing or distributing informational mediums * * *. The amount of such guaranties in any fiscal year shall be determined by the President, but shall not exceed \$10,000,000."
1956.....	None	
1957.....	Mutual Security Act of 1956, Public Law 726, July 28, 1956, sec. 11.	Amends sec. 544 (a) above and sec. 1011 of the United States Information and Education Exchange Act of 1948, as follows: "(d) Foreign currencies available after June 30, 1955, from conversions made pursuant to the obligation of informational mediums guaranties may be sold, in accordance with Treasury regulations, for dollars which shall be deposited in the special account and shall be available for payments under new guaranties. Such currencies shall be available, * * * as may be agreed to by the governments of the United States and the country from which the currencies derive."

¹ This act repealed the provisions of all prior acts relating to ECA and mutual security programs.

Mr. MONRONEY. Mr. President, I ask unanimous consent that certain documents relating to the legislative history of Senate Resolution 264 be printed at this point in the RECORD.

There being no objection, the documents were ordered to be printed in the RECORD, as follows:

SENATE RESOLUTION 264, AS INTRODUCED FEBRUARY 24, 85TH CONGRESS, 2D SESSION

Resolved, That, recognizing the desirability of promoting a greater degree of international development by means of multilateral

loans based on sound economic principles, rather than a system of unilateral grants or loans, it is the sense of the Senate that consideration should be given to the establishment of an International Development Association, in cooperation with the International Bank for Reconstruction and Development.

In order to achieve greater international trade, development, and economic well-being, such an agency should promote the following objectives:

1. Provide long-term loans available at a low rate of interest and repayable in local currencies to supplement World Bank loans

and thereby permit the prompt completion of worthwhile development projects which could not otherwise go forward.

2. Permit maximum use of foreign currencies available to the United States through the sale of agricultural surpluses and through other programs by devoting a portion of these currencies to such loans.

3. Insure that funds necessary for international economic development can be made available by a process which eliminates any possible implications of interference with national sovereignty.

It is further the sense of the Senate that, as a part of the United States economic aid

program, funds be subscribed to the capital stock of the International Development Association in cooperation with investments made by other participating countries.

DEPARTMENT OF STATE,
Washington, March 20, 1958.

The Honorable J. W. FULBRIGHT,
Chairman, Committee on Banking and
Currency, United States Senate.

DEAR SENATOR FULBRIGHT: The Department has received and acknowledged your letter of March 11, 1958, requesting a report on Senate Resolution 264, favoring the establishment of an International Development Association in cooperation with the International Bank for Reconstruction and Development.

Mr. C. Douglas Dillon, Deputy Under Secretary for Economic Affairs, presented the views of the State Department on Senate Resolution 264 when he appeared before the subcommittee on March 19.

The suggested changes in the resolution which he mentioned at that time are set forth below:

1. Delete the phrase "rather than a system of unilateral grants or loans," beginning line 3, page 1.

2. Substitute "as an affiliate of" for "in cooperation with" in line 7, page 1.

3. Delete the phrase "eliminates any possible implications of interference with national sovereignty" in lines 11 and 12 of page 2 and substitute "facilitates multilateral contributions for this purpose."

4. Change the last paragraph to read:

"It is further the sense of the Senate that, as a part of United States economic development objectives, study should be given to the establishment of an International Development Association as an affiliate of the International Bank for Reconstruction and Development."

Sincerely yours,

WILLIAM B. MACOMBER, JR.,
Assistant Secretary
(For the Secretary of State).

COMMITTEE PRINT OF SENATE RESOLUTION 264,
MAY 9, 1958 (INCORPORATES VARIOUS SUGGESTIONS MADE DURING AND AFTER HEARINGS)

Resolved, That, recognizing the desirability of promoting a greater degree of international development by means of multilateral loans based on sound economic principles, it is the sense of the Senate that immediate consideration should be given to the establishment of an International Development Association, as an affiliate of the International Bank for Reconstruction and Development.

In order to achieve greater international trade, development, and economic well-being, such an agency should promote the following objectives:

(1) Provide a sustained source of long-term loans available at a low rate of interest, repayable partly in local currencies, to supplement World Bank loans and thereby permit the prompt completion of worthwhile development projects which could not otherwise go forward.

(2) Increase the use of foreign currencies available to the United States through the sale of agricultural surpluses and through other programs by devoting a portion of these currencies to such loans.

(3) Insure that funds necessary for international economic development can be made available by a process which would encourage multilateral contributions for this purpose.

It is further the sense of the Senate that, as a part of the United States economic aid program, funds be subscribed to the capital stock of the International Development Association in cooperation with investments made by other participating countries.

DEPARTMENT OF STATE,
Washington, May 20, 1958.

The Honorable A. S. MIKE MONRONEY,
United States Senate.

DEAR SENATOR MONRONEY: Thank you for your letter of May 8 enclosing for our comment the committee print of a revised version of Senate Resolution 264 relating to the proposal for an International Development Association.

I believe that it would be desirable to make a few changes in the text of the committee print in order to clarify the nature of the study called for and to specify the agency which would conduct the study. A suggested revision of the proposed resolution along these lines is enclosed for your consideration. With these changes the Department of State would favor its enactment.

Sincerely,

DOUGLAS DILLON.

TREASURY DEPARTMENT,
Washington, May 21, 1958.

HON. A. S. MIKE MONRONEY,
United States Senate,
Washington, D. C.

DEAR SENATOR MONRONEY: In response to your letter of May 8, we believe it would be desirable to make a few changes in the text of the committee print of Senate Resolution 264, relating to the proposed International Development Association. A suggested revision is enclosed for your consideration. The changes are intended to clarify the nature of the study proposed in the resolution and to specify the agency to make the study. The Treasury Department would favor the adoption of the resolution with these changes.

We appreciate your affording us an opportunity to comment on the resolution.

Sincerely,

JULIAN B. BAIRD,
Acting Secretary of the Treasury.

SENATE RESOLUTION 264 AS APPROVED BY DEPARTMENTS OF STATE AND TREASURY MAY 20 AND 21, 1958

Resolved, That, recognizing the desirability of promoting a greater degree of international development by means of multilateral loans based on sound economic principles, it is the sense of the Senate that prompt study should be given by the National Advisory Council on International Monetary and Financial Problems with respect to the establishment of an International Development Association, as an affiliate of the International Bank for Reconstruction and Development.

In order to achieve greater international trade, development, and economic well-being, such study should include consideration of the following objectives:

(1) Providing a source of long-term loans available at a reasonable rate of interest and repayable in local currencies, to supplement International Bank lending activities and thereby permit the prompt completion of worthwhile development projects which could not otherwise go forward.

(2) Facilitating, in connection with such loans, the use of local and other foreign currencies, including those available to the United States through the sale of agricultural surpluses and through other programs.

(3) Insuring that funds for international economic development can be made available by a process which would encourage multilateral contributions for this purpose.

SENATE RESOLUTION 264, AS AMENDED AND REPORTED BY SENATE BANKING AND CURRENCY COMMITTEE, JUNE 19, 1958

Resolved, That, recognizing the desirability of promoting a greater degree of international development by means of multilateral loans based on sound economic principles, it is the sense of the Senate that prompt study should be given by the National Ad-

visory Council on International Monetary and Financial Problems with respect to the establishment of an International Development Association, as an affiliate of the International Bank for Reconstruction and Development.

In order to achieve greater international trade, development, and economic well-being, such study should include consideration of the following objectives:

(1) Providing a source of long-term loans available at a reasonable rate of interest and repayable in local currencies, or partly in local currencies, to supplement International Bank lending activities and thereby permit the prompt completion of worthwhile development projects which could not otherwise go forward.

(2) Facilitating, in connection with such loans, the use of local and other foreign currencies, including those available to the United States through the sale of agricultural surpluses and through other programs.

(3) Insuring that funds for international economic development can be made available by a process which would encourage multilateral contributions for this purpose.

REPORT TOGETHER WITH INDIVIDUAL VIEWS TO ACCOMPANY SENATE RESOLUTION 264

The Committee on Banking and Currency, to whom was referred the resolution (S. Res. 264) recommending that study be given to establishing an International Development Association as an affiliate of the International Bank for Reconstruction and Development, having considered the same, report favorably thereon with an amendment and recommend that the resolution as amended do pass.

Introduction

Senate Resolution 264 recommends that prompt study be given to establishing an International Development Association to make multilateral development loans at terms more liberal than those currently available. The proposed IDA would be an affiliate of the International Bank for Reconstruction and Development (World Bank). The Departments of State and Treasury favor the resolution.

The study would be made by the National Advisory Council on International Monetary and Financial Problems. The committee urges enactment of the resolution in order to explore the possibilities of providing a new source of multilateral development loans for the less industrialized nations. These loans would differ from those offered under existing programs in that they would—

1. Encourage more countries to contribute capital for international development;

2. Promote greater use of foreign currencies received by the United States from the sale of farm surpluses;

3. Be made for longer periods of time;

4. Carry lower rates of interest;

5. Be repayable partly in local currencies; and

6. Provide a separate fund for subordinate loans to supplement the World Bank's lending activities.

Few needs are more compelling than economic development of the less industrialized nations. The past decade has witnessed the quickening of an intense desire for better living standards among the vast populations of Asia, Africa, and Latin America. Even our most selfish economic interests would dictate our participation in order to expand the markets for the products of our own farms and factories, but, most compelling of all, our very safety is at stake. The new battle for men's minds is being fought among the peoples of the underdeveloped nations with nearly two-thirds of the Free World's population. These peoples will grow in freedom, toleration, and respect for human dignity if they achieve reasonable economic and social progress under a free

system. If not, they can become regimented and marshaled against us.

The United States has invested in international development in various ways, but these needs are still very great and every promising means of helping to solve the problem must be studied. Were an IDA to be created, it would probably be capitalized by the members of the World Bank. A substantial part of each original subscription should be payable in hard currencies with provisions for additional injections of capital from time to time. The feasibility of using foreign currencies, including some of those acquired by the United States from foreign sales of farm surpluses and from other programs, would involve a number of problems, but certainly this possibility should also be thoroughly explored.

In the face of the current Soviet economic offensive, it is more than ever important that nations devoted to liberty and individual dignity work together to help newly developing countries meet the challenge of economic growth under a free system. An International Development Association could be one further instrument of mutual effort through which free nations could cooperate to raise living standards and expand beneficial trade. It deserves the most careful study and full discussion, which is what Senate Resolution 264 proposes.

Objectives of the resolution

The resolution asks that the National Advisory Council on International Monetary and Financial Problems promptly study the feasibility of establishing an IDA. The Council, which was established by the Bretton Woods Agreements Act, consists of the Secretary of the Treasury as Chairman, the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, and the President of the Export-Import Bank of Washington. The Bretton Woods Act charges the Council with the duty of coordinating the policies and representation of the United States on the World Bank, the International Finance Corporation, and the International Monetary Fund and of reporting to the Congress on the operations of these institutions and the need for any improvements in their functioning. The Council is thus the appropriate group to undertake such a study.

The National Advisory Council prepares a semiannual report to Congress on its activities and also on United States policy toward international financial organizations. At the conclusion of the study urged by this resolution, the committee would expect the Council to include its findings in its next report to Congress or preferably in a separate report to the committee. If the study is not completed by December 31, 1958, the committee would expect to be furnished with an interim report.

In considering the establishment of an organization such as the IDA it would clearly be necessary for the officials of the United States to meet with officials of other governments for the purpose of studying the basic policy implications and particular technical problems involved. Presumably consultations would also be held with the officials of the World Bank and the International Finance Corporation. Senate Resolution 264 is intended to give the endorsement of the Senate to the proposition that forming an organization such as the IDA should be thoroughly studied by responsible officials both here and in foreign countries.

The timeliness of the study urged in the resolution is demonstrated by the testimony at the committee hearings and the fact that the IDA proposal is in general harmony with several recent suggestions for international financial arrangements. The Subcommittee on International Finance received testimony from representatives of the Departments of State, Treasury, Agriculture, and Commerce,

and also from the International Cooperation Administration and the Bureau of the Budget. In addition, statements were submitted by two former administrators of United States foreign-aid programs, Paul Hoffman and Averill Harriman. The testimony on the general policy issues and technical discussion of specific problems revealed extensive support for the principle and demonstrated the need for serious official study. The resolution also evoked considerable affirmative response among Senators and public officials and widespread editorial interest in the newspapers of the country.

Representatives of other governments have recently offered suggestions similar in broad purpose to the IDA, indicating a willingness to discuss practicable means of enlarging the corpus of funds available for multilateral loans. These proposals emanate from authoritative sources and are numerous enough to warrant official study of an IDA by our Government. This resolution urges the study of such a proposal by our Government in concert with other governments committed to national independence.

Objectives of International Development Association

The resolution is essentially a proposal to enlist wide cooperation in studying means of accelerating the economic development of countries with relatively low per capita incomes. In these countries there are many development projects which can make a significant contribution toward improving conditions of life which are beyond the capacity of these countries to finance at terms currently available. A new type of multilateral development loan needs to be studied. This is a long-term, low-interest bearing, subordinate loan repayable wholly or partly in the currency of the borrower. No international organization, not even the World Bank itself, provides this kind of loan.

Since the World Bank must obtain the bulk of its loanable funds from the private capital market, it has been obliged to keep its interest rates high enough (up to nearly 6 percent) to attract private-capital participation and has required repayments in hard currencies over comparatively short periods of time (generally 20 years or less). IDA would be expected to make loans at lower rates of interest repayable in local currencies over longer periods of time. It might take part of a loan with the World Bank assuming the rest.

Bankable loans require repayments in the currency of the lender; and, in the case of the World Bank, loans require repayment in dollars or other hard currency. The Export-Import Bank must receive its repayments entirely in dollars. Loans repayable partly in the currency of the borrower are, from the viewpoint of a foreign economy, easier to repay than loans that must be serviced entirely in foreign exchange. Foreign exchange must be earned principally through exports. Local currency can generally be acquired from a broader field of economic activities within the country.

The IDA would also be expected to encourage participation in international economic development by as many independent nations as possible. The problem of world economic development is of concern to all free countries, and while the United States may properly take the lead it should not bear all the burden. Other advanced industrial countries have regained the economic momentum lost during the war, and American aid was a significant factor in their recovery. These countries should be expected to contribute part of the needed funds for the economic growth of the less developed areas of the world.

Multilateral subscriptions to capital and disbursement of loans for economic development are desirable for three reasons:

1. All nations have a stake in development since development in one country means

markets for another. In negative terms, failure to meet the legitimate aspirations of growing nations may contribute to political and social upheaval which can affect the peace and security of the entire Free World.

2. The interests of the creditor and debtor should not be completely separated. A situation in which one nation becomes the overwhelmingly dominant creditor should be avoided. When many governments are involved, their mutual stakes in repayment are a form of assurance for all creditors.

3. The psychological relationship between the lender and the recipient of loans should be taken into account. Although unilateral grants and unilateral loans are necessary in some instances, national self-interest and self-esteem might at times be endangered by undue financial dependence of one country on another. When a sizable amount of development loans come from an international organization, this attitude of undue dependence would be less likely to arise.

Use of foreign currencies

The policy of using foreign currencies owned by the United States for loans to third nations has previously been authorized by the Congress. Public Law 480 of the 83d Congress, which permits sale of United States farm surpluses for foreign currencies, authorizes the use of these currencies for loans for economic development. Approximately 54 percent of the foreign currencies acquired under this act have been reallocated to the country which originally purchased agricultural surpluses, and a few third-country exchanges have been arranged. Under these agreements United States-owned Finn marks have been loaned to Indonesia and Korea; Italian lire have been made available to Israel and Korea; Japanese yen have been put at the disposal of Taiwan and Vietnam; and Austrian schillings to Spain. Whether the number of such triangular operations can be enlarged should be considered within our Government and with other governments. An agency which can arrange agreements of this kind might be able to stimulate uses of these currencies. To the extent that the uses of such funds can be increased, their value in international trade may be improved, and convertibility difficulties eased.

The amount of foreign currencies owned by the United States is certain to increase between 1960 and 1970. In the past the United States has been able to use these local currencies for several worthwhile purposes, but even further increases in such funds are contemplated. The Mutual Security Act (sec. 402) authorizes the President to transfer foreign currency proceeds from the sale of agricultural commodities to an international organization, but no international organization exists for this purpose. Senate Resolution 264, in effect, proposes that the Senate signify its belief that the potential uses of such mechanism should be studied by our Government and others.

There would probably be practical problems involved in using any great amount of foreign currencies in third countries, arising in large part from the fact that most of these currencies are those of underdeveloped areas themselves, which have few goods to spare for export on credit to other countries. Nevertheless, means of implementing this principle deserve to be thoroughly explored.

Relationship between IDA and World Bank

The formal structure of an IDA would have to be determined as a result of discussions among members of the World Bank. The resolution envisages it as an affiliate of the World Bank, however, in order to have the benefit of the latter's experience and expert personnel.

The World Bank, founded in 1945 following the Bretton Woods Conference, was established to help rebuild war-devastated areas and develop new economic enterprises.

Its 67 member countries have subscribed to its capitalization, which now exceeds \$9 billion. Of this amount, the United States has subscribed \$3.1 billion or somewhat more than a third. Twenty percent of each nation's subscription is paid in to the bank to provide a fund from which loans are made. The rest is subject to call by the bank, if it is needed to meet the institution's own obligations. The bank also sells its own bonds to increase the amount of its funds available for loans, and now derives most of its loan funds from this source and from sales of loans held in its portfolio.

All legal powers of the bank are vested in the Board of Governors which has delegated most of its authority to the 17 executive directors, who meet as the business requires. Each of the 5 nations having the largest capital subscriptions appoints a director; the remaining member nations elect 12 directors and each elected director casts the total votes of the countries that elected him. Each country's vote is proportional to its capital subscription. Loans are approved by the executive directors on the recommendation of the World Bank's president. No borrower has yet failed to meet its payments either of interest or principal.

The International Finance Corporation was established in 1956 as an affiliate of the World Bank to stimulate private investment in productive enterprises in the less developed countries. The relationship of the IFC to the World Bank might be a model for IDA's affiliation with that institution. First, membership in IFC is open to all members of the bank. Second, the member-governments are represented by the same officer on both the Board of Governors of the World Bank and the Board of Governors of IFC. Third, the Board of Directors of IFC consists of these Executive Directors of the World Bank who represent at least one country that joins IFC. Fourth, the President of the World Bank is also Chairman of the Board of Directors of IFC. Fifth, the IFC uses many services, facilities, and personnel of the bank on a reimbursable basis.

The standards which would govern the transactions of an IDA and the World Bank would probably be different in order to meet different purposes, and funds would probably be kept separate.

The bank might recommend to an IDA worthy loans which it believes might even be taken jointly—the bank might assume first-mortgage-type risks and an IDA might make a subordinated loan extending over a longer period of time at somewhat lower rates of interest and repayable wholly or partially in local currencies.

Summary

Senate Resolution 264 urges the Executive to study, including exploration with other governments, the question of forming an International Development Association as an affiliate of the World Bank. There is not now an international organization to make long-term, low-interest loans for economic development repayable partly in local currencies. Nor is there an international program for subordinated development loans. Nor is there an international mechanism for encouraging third-country loans with local currencies. The feasibility of making such loans through the creation of an International Development Association should be most carefully studied. The committee strongly recommends that the IDA should be affiliated with the World Bank, so that the experience and counsel of that successful and respected institution may be utilized.

There are definite advantages to raising development capital among as many nations as possible. First, because the advantages of development accrue to all members of the international political community, it seems only fair to share the costs of the development program among all who can partici-

pate. Second, a lending institution including both debtors and creditors gives a greater measure of assurance that the loans will be repaid. Third, governments may sometimes prefer international loans because they remove any possible implication of political interference in internal affairs.

IDA requires study, which is why the Congress is acting first with a resolution rather than with legislation. It would be no panacea. It promises no cheap and easy solutions to the hard problems of economic development. It would, however, place one more valuable tool in the hands of those who cherish national political independence.

INDIVIDUAL VIEWS OF MR. CAPEHART AND MR. BRICKER

The proposed resolution would commit the Senate to a policy of advocating a new international loan program and of urging a study aimed at the establishment of an institution called the International Development Association for this purpose. The resolution speaks in broad general terms of providing a source of "long-term loans" available at a "reasonable rate of interest" and "repayable in local currencies." The resolution also contains vague references to encouraging multilateral contributions and facilitating the use of foreign currencies.

Obviously, the language of the resolution is susceptible to a wide variety of interpretations. Yet, it is imperative that the Senate know the exact policy it is adopting. Therefore, it is necessary to go behind the resolution and examine statements made by the proponents of this plan in order to learn its true meaning. These statements reveal the intent to establish an international loan program of 40-year loans at a 2-percent interest rate repayable in "soft currencies." The proponents also intend to utilize foreign currencies generated by Public Law 480 by freeing them in some undisclosed manner from the restrictions on their use contained in existing agreements. The capital of the proposed IDA would be \$1 billion, with the United States contributing at least \$300 million. It also should be noted that one proponent has urged that the Soviet Union be invited to participate in this new organization.

If the resolution is intended to reflect the views of its proponents, then the language of the resolution itself should be changed to spell out the details of this plan. How can the Members of the Senate be asked to go on record as favoring this resolution without knowing exactly what is contemplated? Certainly on a policy question, as important as this one is to the Senate and to the country, there should be no doubt about the real issues involved.

This legislative dilemma results from the use of a Senate resolution to usurp the usual diplomatic procedure employed in negotiating the formation of a new international institution. The resolution does not urge any course of action that the State Department could not initiate itself through ordinary channels. Apparently, the purpose is to force the administration to adopt a policy that it has not deemed wise heretofore.

This rather unusual procedure is not justified by the limited testimony received by the committee during the 3 days of public hearings. The Government agencies indicated that they had already given this plan a great deal of study and had encountered many difficult problems. Only one private witness, an ex-Government official, testified before the committee. It would seem appropriate and necessary in considering a new foreign lending policy that the committee and the Senate should have the benefit of the views of the many private individuals and organizations interested in the subject.

Of course, the fundamental question involved in this resolution is whether we need an additional foreign lending program to

duplicate and overlap existing programs. Of the \$9 billion in loans authorized by the Export-Import Bank, more than half—\$5.1 billion—have been for projects in underdeveloped nations in Africa, Asia, Latin America, and Oceania. During the current session, the Congress has increased the lending authority of the bank by \$2 billion, making approximately \$2.5 billion available for additional loans.

Last year, when the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) was extended, an amendment was adopted authorizing up to 25 percent of the foreign currencies received through the sale of agricultural commodities to be made available to the Export-Import Bank for lending to United States private enterprise in the purchasing countries. Loan agreements have already been entered into with a number of countries, including India, Israel, Mexico, Pakistan, and the Philippines. The agreement announced last month, making available the rupee equivalent of \$14,200,000 available for loans in India, is a good example of this program. The proposal to turn over the local currencies generated by Public Law 480 to an international organization would be in direct conflict with this program, as well as with standing agreements with many countries limiting the use of these currencies.

Last year the Congress also established a Development Loan Fund in the International Cooperation Administration and appropriated \$300 million for its use. The Development Loan Fund is designed to supplement the Export-Import Bank and the International Bank by making long-term, low-interest-rate loans to underdeveloped countries, repayable partly in "soft currencies." The administration this year has requested an additional \$625 million for its operation. Again, the proposed IDA would duplicate an existing program that is just now getting under way.

Among the international organizations, the International Bank for Reconstruction and Development has been of great assistance to the underdeveloped nations. In fact, aside from the \$500 million in reconstruction loans made after World War II, its primary function has been the making of development loans. Over \$2.3 billion in loans have been made to the underdeveloped nations of Africa, Asia, Latin America, and Oceania. It is interesting to note that \$575 million of the loans disbursed has been in currency other than United States dollars. As of December 31, 1957, the International Bank had \$761 million available for development loans and the authority to obtain additional funds through the sale of bonds to private investors.

The International Finance Corporation was established in July 1956 for the purpose of furthering economic development in underdeveloped countries by making investments in private enterprise in association with private investors. The International Finance Corporation now has a capitalization of \$93 million and has already made a number of investments. A good example of its operations is the investment of \$600,000 (repayable half in dollars and half in pesos) in a privately owned steel-fabricating company in Mexico. Another example is the investment of \$200,000 in a Chilean corporation engaged in development of a copper mine and smelter in Chile. As times goes on, this relatively new international corporation will be of ever increasing aid to less developed countries.

The International Monetary Fund has supplied over \$2.8 billion to member countries to help stabilize their currencies. More than \$220 million of these funds were in currencies other than United States dollars. The fund has over \$6 billion available to meet the future needs of its members.

This brief summary of existing loan programs indicates rather clearly that there is no need for the proposed IDA. The mere establishment of a new international organization will not create any additional capital. In fact, if the IDA were set up, there is a great likelihood that it would cause funds to be diverted from established programs. The net effect of IDA would be to increase the international bureaucracy in the development loan field without serving any necessary or useful purpose.

HOMER E. CAPEHART.
JOHN W. BRICKER.

APPENDIX A

COMMENTS OF DEPARTMENTS OF STATE AND TREASURY ON COMMITTEE PRINT OF SENATE RESOLUTION 264 AS REVISED

DEPARTMENT OF STATE,
Washington, May 20, 1958.

HON. A. S. MIKE MONRONEY,
United States Senate,

Washington, D. C.

DEAR SENATOR MONRONEY: Thank you for your letter of May 8 enclosing for our comment the committee print of a revised version of Senate Resolution 264, relating to the proposal for an International Development Association.

I believe that it would be desirable to make a few changes in the text of the committee print in order to clarify the nature of the study called for and to specify the agency which would conduct the study. A suggested revision of the proposed resolution along these lines is enclosed for your consideration (see appendix B). With these changes the Department of State would favor its enactment.

Sincerely,

[Enclosure.]

DOUGLAS DILLON.

TREASURY DEPARTMENT,
Washington, May 21, 1958.

HON. A. S. MIKE MONRONEY,
United States Senate,

Washington, D. C.

DEAR SENATOR MONRONEY: In response to your letter of May 8, we believe it would be desirable to make a few changes in the text of the committee print of Senate Resolution 264, relating to the proposed International Development Association. A suggested revision is enclosed for your consideration (see appendix B). The changes are intended to clarify the nature of the study proposed in the resolution and to specify the agency to make the study. The Treasury Department would favor the adoption of the resolution with these changes.

We appreciate your affording us an opportunity to comment on the resolution.

Sincerely,

JULIAN B. BAIRD,

Acting Secretary of the Treasury.

[Enclosure.]

APPENDIX B

SENATE RESOLUTION 264, AS REVISED AND APPROVED BY DEPARTMENTS OF STATE AND TREASURY

Resolved, That, recognizing the desirability of promoting a greater degree of international development by means of multilateral loans based on sound economic principles, it is the sense of the Senate that prompt study should be given by the National Advisory Council on International Monetary and Financial Problems with respect to the establishment of an International Development Association, as an affiliate of the International Bank for Reconstruction and Development.

In order to achieve greater international trade, development, and economic well-being, such study should include consideration of the following objectives:

(1) Providing a source of long-term loans available at a reasonable rate of interest and

repayable in local currencies (or partly in local currencies) to supplemental International Bank lending activities and thereby permit the prompt completion of worthwhile development projects which could not otherwise go forward.

(2) Facilitating, in connection with such loans, the use of local and other foreign currencies, including those available to the United States through the sale of agricultural surpluses and through other programs.

(3) Insuring that funds for international economic development can be made available by a process which would encourage multilateral contributions for this purpose.

(NOTE.—This language, which modifies previous committee drafts, was accepted by the committee after inserting the language enclosed in parentheses.)

The PRESIDING OFFICER. The question is on agreeing to the resolution. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. MANSFIELD. I announce that the Senator from Tennessee [Mr. GORE], the Senator from Missouri [Mr. HENNING], the Senator from Florida [Mr. HOLLAND], and the Senator from Texas [Mr. YARBOROUGH] are absent on official business.

The Senator from Delaware [Mr. FREAR] is absent by leave of the Senate attending the Interparliamentary Union Conference in Rio de Janeiro, Brazil.

The Senator from Massachusetts [Mr. KENNEDY] is absent because of illness.

The Senator from Arkansas [Mr. McCLELLAN] is absent because of a death in his family.

I further announce that if present and voting, the Senator from Delaware [Mr. FREAR], the Senator from Tennessee [Mr. GORE], the Senator from Missouri [Mr. HENNING], the Senator from Florida [Mr. HOLLAND], the Senator from Massachusetts [Mr. KENNEDY], and the Senator from Texas [Mr. YARBOROUGH] would each vote "Yea."

Mr. DIRKSEN. I announce that the Senator from West Virginia [Mr. HOBLITZELL] is absent because of official business, having been appointed by the Vice President to attend the 49th Congress of the Interparliamentary Union in Rio de Janeiro. If present and voting, the Senator from West Virginia [Mr. HOBLITZELL] would vote "Yea."

The Senator from West Virginia [Mr. REVERCOMB] is absent on official business.

The result was announced—yeas 62, nays 25, as follows:

YEAS—62

Aiken
Allott
Anderson
Beall
Bennett
Bible
Bush
Carlson
Carroll
Case, N. J.
Case, S. Dak.
Chavez
Church
Clark
Cooper
Dirksen
Douglas
Eastland
Ervin
Flanders
Fulbright

Green
Hayden
Hill
Humphrey
Ives
Jackson
Javits
Johnson, Tex.
Johnston, S. C.
Jordan
Kefauver
Kerr
Kuchel
Lausche
Long
Magnuson
Mansfield
McNamara
Monroney
Morse
Morton

Murray
Neuberger
O'Mahoney
Pastore
Payne
Potter
Proxmire
Purtell
Robertson
Russell
Saltonstall
Smathers
Smith, Maine
Smith, N. J.
Sparkman
Stennis
Symington
Talmadge
Thye
Wiley

NAYS—25

Barrett
Bricker
Bridges
Butler
Byrd
Capehart
Cotton
Curtis
Dworshak

Ellender
Goldwater
Hickenlooper
Hruska
Jenner
Knowland
Langer
Malone
Martin, Iowa

Martin, Pa.
Mundt
Schoeppel
Thurmond
Watkins
Williams
Young

NOT VOTING—9

Frear
Gore
Hennings

Hoblitzell
Holland
Kennedy

McClellan
Revercomb
Yarborough

So the resolution (S. Res. 264) was agreed to.

Mr. MANSFIELD. Mr. President, I move that the vote by which the resolution was agreed to be reconsidered.

Mr. MONRONEY. Mr. President, I move to lay on the table the motion to reconsider.

The PRESIDING OFFICER (Mr. PROXMIRE in the chair). The question is on agreeing to the motion to lay on the table the motion to reconsider.

The motion to lay on the table was agreed to.

MESSAGES FROM THE PRESIDENT— APPROVAL OF BILLS

Messages in writing from the President of the United States were communicated to the Senate by Mr. Miller, one of his secretaries, and he announced that on July 22, 1958, the President had approved and signed the following acts:

S. 628. An act to direct the Secretary of the Army to convey certain property located at Boston Neck, Narragansett, Washington County, R. I., to the State of Rhode Island;

S. 692. An act to determine the rights and interests of the Navaho Tribe, Hopi Tribe, and individual Indians to the area set aside by Executive order of December 16, 1882, and for other purposes;

S. 1524. An act for the relief of Laurance F. Safford.

S. 2474. An act directing the Secretary of the Navy to convey certain land situated in the State of Virginia to the Board of Supervisors of York County, Va.;

S. 2997. An act for the relief of Leobardo Castaneda Vargas; and

S. 3314. An act for the relief of the city of Fort Myers, Fla., and Lee County, Fla.

EXECUTIVE MESSAGES REFERRED

As in executive session,

The PRESIDING OFFICER (Mr. PROXMIRE in the chair) laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the appropriate committees.

(For nominations this day received, see the of Senate proceedings.)

AMENDMENT OF MIGRATORY BIRD HUNTING STAMP ACT

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the bill (S. 2617) to amend the Migratory Bird Hunting Stamp Act of March 16, 1934, as amended, which was, on page 2, line 23, after "birds" to insert "or resident species."

Mr. MAGNUSON. Mr. President, the House has added only a slight amendment, which makes it plain that in con-

nection with the designation of wildlife areas, the Secretary of the Interior may authorize the hunting of resident game birds, as well as migratory birds.

I move that the Senate concur in the amendment of the House of Representatives.

The motion was agreed to.

Mr. LANGER. Mr. President, I should like to ask a question. Does the bill increase the price of the stamp from \$2 to \$3?

Mr. MAGNUSON. Yes; but every bit of the money will be used for the acquisition of wildlife refuges, except for the reimbursement to the Post Office Department of the cost of printing the stamps, whereas in previous years, when the stamp cost \$2, from the collections of approximately \$5 million annually, only approximately \$1,600,000 was used for the acquisition of land; and on that basis it would take approximately 47 years to complete the program. The rest of the proceeds from the sale of the stamps was used for management, policing, and so forth.

But under the new program the Department of the Interior must, in connection with its own requests for appropriations, include a request for the funds required for the management of the wildlife refuges. So every bit of the money the sportsmen will pay for the stamps will, with the slight exception noted, be used for the acquisition of these lands.

Every wildlife organization and every sportsmen's organization approves the bill. In fact, the Audubon Society said it would guarantee a substantial number of purchases of the stamps, just for the sake of having the additional wildlife refuges established.

Mr. LANGER. How much money will the stamps bring in?

Mr. MAGNUSON. Last year the total amount was close to \$6 million. As a result of the increase of the charge from \$2 to \$3, the proceeds will now be approximately \$9 million. On that basis, it will be possible to complete the program in about 17 or 18 years.

Mr. LANGER. I thank the Senator from Washington.

CONTINUATION OF STUDIES OF EFFECTS OF CERTAIN INSECTICIDES ON FISH AND WILDLIFE

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the bill (S. 2447) to authorize and direct the Secretary of the Interior to undertake continuing studies of the effects of insecticides, herbicides, fungicides, and other pesticides, upon fish and wildlife for the purpose of preventing losses of those invaluable natural resources following application of these materials and to provide basic data on the various chemical controls so that forests, croplands, wetlands, rangelands, and other lands can be sprayed with minimum losses of fish and wildlife, which was, on page 2, after line 8, to insert:

SEC. 2. The sum of \$280,000 per annum is hereby authorized to be appropriated to carry out the objectives of this act.

CIV—928

Mr. MAGNUSON. Mr. President, the House has added only one amendment, which would change the bill in only one particular: The amendment authorizes an annual appropriation of \$280,000. Although the information I have indicates that additional sums may be needed as the program progresses, the \$280,000 will be sufficient to get the work under way. I imagine this will be only the beginning of the program.

Therefore, I move that the Senate concur in the amendment of the House of Representatives.

The motion was agreed to.

VISIT TO THE SENATE BY HON. JULES BLANCHET, MINISTER OF STATE, REPUBLIC OF HAITI

Mr. HUMPHREY. I yield to the Senator from Vermont.

Mr. AIKEN. Waiting outside the door is a distinguished visitor, the Honorable Jules Blanchet, Minister of State of the Republic of Haiti. His position corresponds to that of Vice President in the United States of America. He is not a member of the Haitian Legislature or Parliament, and, therefore, is not eligible to come on the floor of the Senate, under the rules of the Senate. However, I ask unanimous consent that he be permitted to come on the floor of the Senate long enough to be introduced to Members of the Senate, since there is now a rule prohibiting the introduction of a distinguished visitor from the galleries.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. AIKEN. I shall escort the distinguished visitor to the floor of the Senate.

Mr. HUMPHREY. Mr. President, let me say that I am in full accord with the request of the Senator from Vermont. I have met the distinguished visitor from the Republic of Haiti. I think it is a good thing to have him visit with us.

[Mr. Blanchet was thereupon escorted to the floor of the Senate by Senator AIKEN.]

Mr. AIKEN. Mr. President, we are honored today by a visit from the second ranking official of one of our neighboring republics, a republic very close to the United States not only geographically, but in political thinking as well. It gives me pleasure to introduce to the Members of the Senate the Honorable Jules Blanchet, the Minister of State for the Republic of Haiti.

[Applause, Senators rising.]

ESTABLISHMENT OF UNITED NATIONS FORCE

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Senate Concurrent Resolution 109.

The PRESIDING OFFICER. The concurrent resolution will be stated by title.

The CHIEF CLERK. A concurrent resolution (S. Con. Res. 109) to express the sense of the Congress on the establishment of the United Nations force,

The PRESIDING OFFICER. Is there objection to the present consideration of the concurrent resolution?

There being no objection, the Senate proceeded to consider the concurrent resolution.

A TIME FOR DECISION

Mr. BRIDGES. Mr. President, Premier Khrushchev's peremptory call for a summit meeting on the Middle East reads like the presentation of an indictment of the Western Powers by a prosecuting attorney.

While we should tell him politely and firmly that his denunciations and saber rattling do not disturb us in the least, we should also take the occasion to put the chips down and call for a showing of the cards.

This is no time for weakness. It is no time for fuzzy declarations. It is no time for platitudes.

What is now needed is cold, realistic clarification of where we stand, what we propose to do, and what we expect the Soviet Union to do.

We have the opportunity to make a bold stroke for peace. We have a dramatic occasion to speak out for the freedom of small nations. We have a chance to bring 10 years of cold war to a head, with the possibility of arresting the treacherous drift to nuclear devastation.

Above all, we have the chance to lead the world in taking a giant step toward stability, toward law and order, toward progress for the peoples of the Middle East.

The situation demands only that we speak truthfully, clearly, and firmly.

Before proceeding to a suggested declaration of policies, let me offer a brief description of the realities which make a declaration of American policy necessary.

STRATEGIC POSITION OF THE MIDDLE EAST

The Middle East occupies one of the great strategic areas of the world.

The Suez Canal is a key passageway between the world's greatest oceans. It is a gateway in the world's commerce. Through it flows the trade that is the lifeblood essential to the survival of many nations.

The Middle East also contains large oil resources which, in today's technology, are the critical raw materials on which industrial and commercial progress depend.

Except for the past and current development of these oil resources by the technology and capital of Western nations, the Middle East is one of the world's undeveloped areas.

RESURGENCE OF ARAB NATIONALISM

The most significant fact about the Middle East since the end of World War II is the resurgence of Arab nationalism—the determination of its people to throw off the yoke of suppression and to attain the status of independent nations. They are determined to clear out all remaining vestiges of colonialism. They are striving to wipe out the monarchies, the sheikdoms, and the ruling castes which until recently controlled the governments in the area and lived in luxurious arrogance while the people

were held in squalor. The Arab people are no longer content to have the world of progress pass them by. They feel rightfully entitled to a place in the sun and a chance to make their way of life, liberty, and the pursuit of happiness.

In any attempt to clear away the debris of the past there is bound to be confusion, controversy, instability, and trouble. This has been the lot of the Middle East since the close of World War II.

The masses of people in these countries are not yet strong enough to guide and control their own destinies. On this account, there is the ever-present danger that a new leader, riding the wave of nationalism, may impose his will over the many Arab nations seeking their freedom and independence. Nasser, at the moment, is the symbol of Arab nationalism and seeks to extend his power over the entire area.

AIMS OF THE SOVIET UNION—IDEOLOGICAL FISHING IN TROUBLED WATERS

Since 1946, when she sought to penetrate Iran, the Soviet Union has looked upon the Middle East as a golden opportunity for the extension of the Communist system and to resume the age-old Russian imperialist drive to the Middle East.

Taking advantage of the aspirations of the Arab peoples for independence and progress, the Soviet Union has fanned the flames of Arab nationalism into hostility and hatred against the Western nations.

The Kremlin's object is twofold: First. To use Arab nationalism as a weapon in Russia's aim to destroy the Western nations; and second, to infuse the emerging Arab States with Communist elements so as to bring them behind the Iron Curtain. The Soviet Union's grand strategy in the long run is to realize Russia's ancient dream of domination over the eastern Mediterranean and the Persian Gulf.

REBELLION IN LEBANON—REVOLUTION IN IRAQ

For more than 2 months, rebellious elements incited by Cairo have been actively threatening the Government of Lebanon. Considerable evidence points to the fact that men and arms have been brought to aid the rebels from across the Syrian border. The situation became so alarming that the Government of Lebanon appealed to the United Nations. Taking jurisdiction over the external threat to the peace and integrity of one of its members, the United Nations placed observers in the area and the tension there was somewhat relieved. But the fears and instability in the Middle East generally have not subsided.

These, in brief, were the main elements of the situation when, on July 14, revolutionists in Iraq staged a brutal coup and took over the government at Baghdad.

Threats of increased revolutionary action, externally inspired and supported, immediately flared up again in Lebanon and also in Jordan.

The situation became so threatening that Camille Chamoun, President of Lebanon, requested American aid in maintaining the independence of his country. At the same time, the King of Jordan asked for similar aid.

Convinced that the threat to Lebanon was serious, and responding to its government's request for aid, the United States dispatched American troops to the area. The object was to protect American lives in Lebanon and to safeguard the Government of Lebanon, at its request, against external forces seeking its overthrow.

At the same time, the United States called for an emergency meeting of the Security Council of the United Nations.

THE UNITED NATIONS SEEKS A SOLUTION

The American delegation offered a proposal for the immediate strengthening of United Nations observers in Lebanon and the provision of United Nations contingents sufficiently strong to prevent infiltration of revolutionary elements from outside its borders.

Denouncing the American action in strong language, the Soviet Union vetoed the American proposal, and offered a proposal of its own, calling for the withdrawal of American forces in Lebanon.

The United Nations rejected the Soviet proposal and also a Swedish resolution calling for the withdrawal of United Nations observers from Lebanon.

While the United Nations was seeking for a way to deal with the Mid-East crisis, either by some compromise action in the Security Council or possibly by call of the Assembly, Khrushchev issued his indictment against the United States and called for an immediate summit meeting to deal with the crisis.

KHRUSHCHEV'S CALL FOR A SUMMIT MEETING

This malicious denunciation of the United States by the Soviet Union exposes Khrushchev's pretense of good intentions in asking for a summit meeting to find a peaceful solution to the Mid-East crisis. It is not a friendly action to abuse a nation and then call for its representatives to sit around a friendly conference table to seek ways to maintain peace. Mr. Khrushchev's attitude is more like that of a prosecuting attorney hauling a prisoner before the bar.

For the United States to accept this kind of a call to a summit meeting would amount to the sacrifice of the respect and dignity a sovereign nation has a right to claim in the family of nations. For too long a time, in its desire to advance the peace of the world, the United States has closed its eyes to indignities against its citizens, against members of its Armed Forces, and against the good repute of the Nation.

At this point let me summarize the realities of the situation in the Middle East.

First. The Middle East is a strategic area of great geographical, economic, and political importance.

Second. A resurgence of Arab nationalism run like a fever throughout the Middle East, and is not likely to subside until the aspirations of the people are satisfied by governments of their own choice, and by development of their countries.

Third. Until the people of the Middle East are strong enough to control their own destinies, there is the danger that they will become victims of power-seeking dictators and of external aggressors.

Fourth. Nasser is headed toward such a dictatorship, and the Soviet Union is

active in indirect aggression for her own purposes.

Fifth. Rebellions in Iraq, Lebanon, and Jordan are examples of these power-seeking forces.

Sixth. The United States and Great Britain have entered the area to protect the independence of Lebanon and Jordan, and to prevent the area from falling under the domination of communism.

Seventh. The United Nations is attempting to deal with these unstable conditions in the Middle East without having adequate power to do so over Russian blocking tactics.

Eighth. In these circumstances, Khrushchev has issued a call for a summit meeting in the form of an arraignment of the United States.

What policies can the United States pursue that will deal realistically and constructively with these hard facts?

KHRUSHCHEV'S CALL FOR A SUMMIT MEETING

This call should be rejected on two grounds: (1) That the tone of the call is an insult to the United States; and (2) that the United Nations has taken jurisdiction of the situation and should be supported in handling it.

On the first point, the United States should declare that until the Soviet Government refrains from calculated abuse and disrespect of the United States, she cannot expect us to sit down with her in negotiations which depend, for their success, upon mutual interest and respect.

Abuse of the United States has been one of the principal methods used by the Soviet Union to discredit and belittle the United States in the family of nations. Unless we take immediate steps to reestablish our honor, respect, and prestige, American leadership in world affairs will be greatly weakened. Now is the time to take a forceful step in this direction.

I am deeply gratified to see that President Eisenhower's note to Mr. Khrushchev, published this morning, takes this stand.

The second point is closely related to the whole problem of peace and stability in the world. If we cannot develop the United Nations to the point where it can deal with some of these international trouble spots, nations will be compelled to fall back on naked power politics and the hope of maintaining peace, law, and order will be lost.

Russian vetoes have consistently blocked this development because it would stand in the way of Communist expansion. She much prefers to keep the world in an unstable condition, depending upon great power deals to advance her interests.

It is highly important for the United States, on the other hand, to deal with trouble spots in the full light of world opinion for we have nothing to hide and no sinister aims. On the contrary, we have the highest incentive to see that there is a steady development of international institutions of law and order.

For these reasons, we should either reject a summit meeting, or enter upon one only if it is sanctioned by and related to the United Nations. This, the

President has now done in the note I referred to.

RUSSIAN DIRECT OR INDIRECT INTERVENTION IN
THE MIDDLE EAST

The United States cannot stand idly by while the Soviet Union chips away countries which are still not under the domination of the Kremlin. Once again, for want of a firm and clear policy, another country, Iraq, seems to be headed for Communist domination.

The time is already far overdue for the United States to meet Soviet tactics with a major declaration of policy that the men in the Kremlin can understand.

American policy can meet indirect aggression in two ways: First, by a strong declaration of policy directed to the Soviet Union itself; and second, by a bolder policy calculated to enable the United Nations to deal with indirect aggression.

Only the first point is developed here; the second later on in a more appropriate place.

I suggest, therefore, that we smoke the Soviet Union out of its entrenched position in which it avoids risk to itself while it instigates indirect aggression.

In my opinion this will have to be done by some forceful dramatic declaration of policy directed straight at the Soviet Union.

The United States should give formal notice to the Soviet Union that any attempt on its part to extend its political system by direct or indirect aggression against independent nations in the Middle East will be considered by the United States as a threat to the peace and freedom of all free nations which the United States will resist without limit.

Once before in our history we had to deal with a similar situation. When we were still a young nation, we had occasion to fear the threat to our freedom and independence set in motion by autocratic governments in Europe, including Russia. The immediate danger then was to the newly won freedom and independence of our southern neighbors, the Latin American governments.

To our everlasting glory, we boldly protested against "any interposition for the purpose of oppressing them, or controlling in any manner their destiny."

Directed specifically to Russia, we held that the American continents, by the free and independent condition which they had assumed and maintained, were not to be the subject of future colonization by any European powers.

And finally, we declared that it would be hostile and dangerous to the United States if the European political system of autocratic government was further extended.

Today, American interests are no longer confined to the American hemisphere; they are worldwide. The struggle for freedom is worldwide. Any chipping away of freedom anywhere is a threat to the freedom of the United States.

For a dozen years now, the Soviet Union has been probing the soft spots of the world, looking for opportunities to spread Communist doctrines and domination. She has perfected methods of indirect aggression which allow her to

pose as the champion of oppressed peoples and as the advocate of peace while she foments hatred, instigates subversion, provides arms, and supports revolution through puppets against established governments and shackles them in the yoke of communism.

We have seen this insidious force at work in Eastern Europe, in Korea and Vietnam, in other parts of Asia, in Iran, and now in almost all of the Middle East.

When the Soviet Union's tactics of infiltration, subversion, and domination became clear to the United States and other free nations of the world, we exposed and denounced them. The United Nations condemned them. Where preventive action was possible, as in Iran, Greece, and Turkey, American aid helped them to remain free and independent.

But the Soviet Union persisted in the tactic. Each time, the Free World was more or less taken by surprise. Each time, we were caught unprepared. Each time, we were trapped into dealing solely with the trouble spot while the Soviet Union abused us and gave the impression that she was not involved. She encountered no risk on her own.

She was in the position of an arsonist who starts a fire, fans it into violent flame, and then stands off and abuses the firemen who try to quench the fire, all the while making the victims feel that she is their friend and protector.

The situation we dealt with boldly in 1823 has considerable parallel to the problem we face today. If, by our declaration, the Soviet Union is made to feel that any expansion of her system by direct or indirect aggression will be done under the shadow of risk to herself, she may become more restrained in her action.

Such a stand upon the part of the United States will entail some risk, too. We did not shrink from risk when we were young and relatively weak. Are we to shrink from risk now that we are great and strong?

Moreover, the alternative carries equal risks. If we permit indirect aggression to continue, as it has for the last 12 years, the time will surely come when an incident will involve us in serious war when we are least prepared.

We have allowed the Soviet Union to get away with her tactics for so long that even a strong declaration of policy against such tactics would not be enough. But it will help to bring the Soviet Union's culpability out into the open and force her to consider the risks to herself that might be involved. If we add to this a bolder, stronger policy in the United Nations to deal with these situations, we may make progress toward a more stable, peaceful world.

ARAB NATIONALISM

The United States cannot delay much longer in coming to terms with Arab nationalism. We shall have to concede that there is strong justification for the desire of the Arab people to control their own destinies. We shall have to concede that the movement has vitality and force.

Events will overtake us with embarrassment and harm to our interests if we soon do not have the good sense to adapt our policies to the aspirations of

the Arab people for independence and the betterment of their lot.

In a clear statement of policy we should make it known that we welcome the emergence of the Arab people as masters of their own destiny. We should let them know that they can count upon our encouragement and aid.

But in the same declaration of policy, we should let them know that there are some facts of life they cannot ignore—some responsibilities that go hand in hand with their independence.

One of these facts is that as long as the Arab people are not sufficiently strong to resist external aggression, either the United Nations or the United States will act whenever we believe that aggression threatens any independent Arab state.

This means that we will act to stop any leader or group of persons of one Arab state from extending power over any other Arab state by subversion, fomenting revolution, or by any other force. This policy of protection includes the State of Israel.

American policy will not be averse to legitimate alliances of Arab nations for the mutual defense and security of all, but in the present weakness of the people to control their own affairs, it will not permit any form of dictatorship to be imposed over all the Arab peoples. In like manner, the United States will strongly oppose the extension to Arab lands of communism by indirect or external means. Both eventualities are a menace to the peace and freedom of the Arab States as well as of other nations.

The second fact we must emphasize is that the growth and progress of Arab States must not be made at the expense of the world's legitimate interest in strategic trade routes and raw-materials resources. The Suez Canal and the oil resources of the region cannot be used to blackmail other nations. It must be made plain to the Arab leaders that they cannot hope to lead their people toward better days if they deal irresponsibly with resources vital to the survival of other nations.

If the Suez Canal remains open and if access to oil resources is available on reasonable terms, the United States should be willing to support the Arab nations in their right to derive a fair share of the benefits from these possessions.

In this declaration of American policy toward the Middle East, the United States might offer to help the Arab States set up a Middle East development commission, or authority, designed for the cooperative development of the entire area.

This could be a bold conception for economic progress, development of natural resources and public works, the advancement of education and culture of the Arab States and their peoples. This commission or authority would be under the control of a board, representative of the Arab nations, assisted by representatives from the United Nations and such other individual nations as the Arabs themselves should desire.

An undertaking of this magnitude would galvanize the Arab people and do more for them in peace and progress than

any single nation in the area could do for itself.

THE UNITED NATIONS AND WORLD STABILITY

American policy in the current framework of events should have one further grand object.

This is to work more boldly to invest the United Nations with the power to deal with unstable conditions throughout the world.

How are small nations to be safeguarded against aggression? In nations which are internally unstable because their people are not strong enough to control their own destinies, how can the people be protected from being pawns in the conspiracies of unscrupulous political adventurers? Where the people rise up against tyranny, how can they be assured of a chance to determine their own affairs?

All these situations now occur in world affairs. They are settled in one fashion or another by bloody brutality and naked power politics. Although nations consider themselves civilized, they still tolerate the hip-gun anarchy of the frontier. And periodically, the instability ends in world war.

Statesmen recognized this at the end of World War I and set up the League of Nations to deal with events and conditions likely to lead to war. But they were reluctant to give the League sufficient authority and power to deal with those conditions. The large nations of the world preferred to rely solely upon their own strength and upon the aid of such alliances as they could make.

The upshot was the collapse of the League in the face of unstable conditions and aggression, and World War II followed.

Again, at the close of this war, a second attempt at safeguarding law and order resulted in the establishment of the United Nations. Some small progress has been made in supporting the United Nations, as representative of the community of nations, in its efforts to maintain law and order and prevent aggression. The most notable example was in Korea when a United Nations force was placed in the field. But this was possible only because the Soviet Union was not around to veto the operation. The effort fell short of complete success because of lack of vigorous prosecution and because the Communist nations were in active opposition.

Today, the world teeters uncertainly between the effort to maintain stability by the power of the United Nations or by the power politics of hostile national groups.

Many problems of the world can be settled by negotiations and agreement. Others can be settled only by power.

If the community of nations cannot establish the power to deal with trouble spots, then individual nations and groups of nations will bring their power to bear on them. Others will oppose them. In other words, nations will take the law into their own hands.

That is how the concept of the balance of power arose. But the fatal weakness of a balance of power is that it leads inevitably to war when any nation or group of nations feel themselves

strong enough to disregard the balance. This is how the Triple Alliance and the Triple Entente came to spring at one another in 1914. This is how Hitler took us into war in 1939 when he believed that the Ribbentrop-Molotov agreement tipped the balance in the Nazi favor.

But we are confronted today with the awful fact that thermonuclear devices make war a threat of total destruction of the civilized world. We face catastrophe if we allow the world to drift into another world war. We may not be able to escape war in any event, but we have a sacred duty to all mankind to try to find another way out.

Aside from naked power politics, backed by each nation's armed strength, our only hope lies in developing the power of the community, as presently represented by the United Nations, to deal with the trouble spots that lead to war.

The United Nations cannot control the actions of the great powers. If they are determined to make war, the United Nations will be powerless to stop them.

But the great powers drift into war by lining up on opposite sides in the crises that occur in smaller nations. If we give the United Nations power to deal constructively with these events and conditions, we can remove many of the causes which set the great powers against each other, and thereby make world war less likely.

The United States has everything to gain and little to lose by pressing vigorously for the establishment of a strong United Nations contingent to maintain law and order in the Middle East.

Other than maintaining peace, law, and order, the United Nations contingent should not attempt to solve the difficulties in the affected nation. Whatever these difficulties may be, they should be dealt with by other means—by representatives of the people in the affected state, by a regional commission set up by the nations in the area affected, by a separate United Nations commission, or by a commission of representatives of the great powers. Most bodies of this kind have a mixed representation designed to gain the confidence of the parties and to assure all concerned that their recommendations will reflect impartial justice.

What is the alternative to handling these affairs through the United Nations? We do not have to speculate on what this alternative is. We see it already in operation.

The United States, with such allies as it can attract to its side, will be forced to enter every crisis arising in the struggle for power. We will have to risk war over and over again. We shall have to station American troops in all disaffected areas as we now have armed forces guarding Formosa, Korea, Vietnam, Lebanon, and other places. We shall have to continue to build defenses in all parts of the world, with power to strike at a moment's notice.

The Soviet Union and her Communist allies are already developing similar missions in opposition to us, and will develop more.

And then, some day, perhaps by chance or mistake, this whole array of

hostile forces will be set in motion against each other and civilization as we have known it will go down in the holocaust.

Mr. President, rather than face that catastrophe, let us be bold in policy when there is yet time to do so. Let us make our position clear beyond all doubt. Where we must be firm, let us be firm. Where we must take risks for peace, let us take them. Where we can move boldly and constructively, let us do so.

If we do these things, we can attract the good opinion of men of peace and good will everywhere, and we may stop this insane drift to war before Armageddon is upon us.

Mr. President, I began working on these remarks several days ago. In Monday's New York Times, there is an editorial that expresses completely the aim I had in mind when I started to prepare my remarks. The editorial is entitled "A Time for Decision." I read one short passage from it:

The time has come, perhaps, when what is needed in international relations is a sense of certainty. It is time to define just what we will yield and just what we dare not yield for fear of the everlasting loss of our freedom. Such definitions, plainly stated, might make for peace.

Mr. President, that is precisely what I have tried to do in my remarks.

Mr. President, I felt that at this time these remarks needed to be made. Some of these things needed to be said; and I hope very much that they may contribute constructively to our thinking at this time.

Mr. SPARKMAN. Mr. President, I wish to commend the distinguished Senator from New Hampshire. He has given us a very thoughtful presentation, with a great deal of material in it, and I commend him for it.

Mr. BRIDGES. I thank the Senator from Alabama.

Mr. SPARKMAN. I believe that the resolution which is the pending business partly meets some of the suggestions offered by the Senator from New Hampshire; and it is on that resolution that I wish to speak.

Mr. President, for the second time within a year, I present to the Senate a resolution calling for the creation of a permanent United Nations force similar in character to the U. N. Emergency Force now operating so effectively along the Egyptian-Israeli frontier.

On August 8 last year, the Senate agreed to Senate Resolution 15 which had been introduced the preceding January by myself and Senators HILL, HUMPHREY, KEFAUVER, MANSFIELD, SMITH of New Jersey, CASE of New Jersey, WILEY, KENNEDY, FLANDERS, and JAVITS.

That resolution welcomed the establishment of the United Nations Emergency Force pursuant to the resolutions of the U. N. General Assembly during the Suez crisis in November 1956. That resolution likewise expressed the sense of the Senate that:

First. A force of similar character should be made a permanent arm of the United Nations.

Second. It should be made up of units furnished by members of the U. N. other

than permanent members of the Security Council.

Third. Consideration should be given to arrangements for volunteers, other than nationals of permanent members of the Security Council, to serve with the force.

Fourth. Expenses of the force should be met like all other regular expenses of the U. N.

Senate Resolution 15 last year was motivated by the success of UNEF in restoring and maintaining peace between Egypt and Israel. The resolution was also motivated by the thought that other similar situations would arise, either in the Middle East or elsewhere, which would make such a force a useful thing to have in being.

Following the Senate's action in August 1957, I wrote to every member of the United States delegation to the 1957 session of the U. N. General Assembly, calling their attention to the resolution and suggesting that steps be taken to implement the opinion of the Senate as there expressed.

The dominant theme in the answers I got was that this was a good idea but that the cost would be prohibitive.

Yet, Mr. President, I daresay that a U. N. force of the kind envisaged could be maintained for years at less expense than what it will cost us to keep several thousand marines in Lebanon for nobody knows how long backed up by an enormous fleet standing offshore. Surely, this was a case of being penny wise and pound foolish.

But worse, Mr. President, consider the difference in terms of political repercussions. A U. N. force in Lebanon would be subject to none of the objections which have been made to the presence of United States marines there, and a U. N. force could, at the same time, accomplish the same objectives.

I feel so strongly that a United Nations force is the best way to deal with situations such as that in Lebanon that I have resubmitted Senate Resolution 15 in the form of a concurrent resolution. The only difference between Senate Concurrent Resolution 109, which is now pending before the Senate, and Senate Resolution 15, which the Senate adopted last year, is that the former expresses the sense of the Congress whereas the latter expressed the sense of the Senate only.

By acting now on a concurrent resolution reaffirming the stand it took last year, the Senate will give the House an opportunity to join in endorsing a U. N. force. And both houses of Congress acting together, in what I hope will be unanimity, will strengthen the hand of our Government at the United Nations where we are trying now to bring into being what should have been created a year ago.

Mr. KNOWLAND. Mr. President, I rise to support the pending concurrent resolution, which was reported and has been so ably discussed by the distinguished Senator from Alabama [Mr. SPARKMAN]. It would be helpful if a permanent U. N. force were created. In colloquy earlier today we briefly discussed the matter.

However, we must keep in mind that it is not a solution to the problem with which the world is now confronted. In fact, if such a force had existed in the past—even if it had been a force as large as 10,000 or 20,000 armed men, whether of a constabulary nature or of a military nature—we still would not have been able to get around a Soviet veto in the Security Council.

While the resolution is a step in the right direction, we must realize that so long as the United Nations Charter remains in the form in which it now exists, under which a member nation must come before the Security Council, we will always be faced by a Soviet veto. That will apply whether the situation is one of overt aggression or of international subversion from outside a country.

I believe international communism has found a way to mask aggression as we understand that term. By stirring up subversion or by applying pressures from the outside, the Soviet Union has established a long history of what it has accomplished in the world.

It was my privilege to be in Poland some years ago. It was before the country was completely taken over by international communism. It was apparent at that time that the Communists were taking over the police force and other elements of the government. They were beginning to place controls over the church. I saw Mr. Mikolajczyk, who was the last free Premier of Poland. At that time he was under house arrest. He knew what was going on in the country. He told me what had taken place during the previous 6 months.

I left Warsaw and went to Prague, in Czechoslovakia. Czechoslovakia was then the freest nation in all Eastern Europe. I talked to most of the leaders of government in that country. I told them what I had seen in Poland. I asked them if they were not fearful that the same thing would happen to them in Czechoslovakia.

The answer, without exception, was, "No, Senator; we do not think the same thing will happen to us. After all, our constitution was modeled on the American Constitution. Our great leaders Masaryk and Benes were educated partially in the United States." They said, "Our people have the highest standard of living in all Eastern Europe. We have freedom of religion. We have freedom of the press. You can go on the streets of any city in our country and buy newspapers of varying political outlooks, and you can buy copies of the London Times and the New York Times, and you can buy magazines from all over the world."

They further said, "Of course, we have respect for the Poles, but they have been used to being dominated, first by Russia and then by Germany. We are different."

I asked them what the Communist vote had been in the last election. They said, "In the last Parliamentary election the Communist vote was about 15 percent of the entire vote. However, 6 months from now we are having another Parliamentary election. Based on all the surveys which have been made, we believe the

Communists will poll less than 10 percent of the vote."

Need I say that that next election was never held? At the time of the Communist coup d'état in Czechoslovakia, either coincidentally or otherwise, the Soviets were holding maneuvers on the Czechoslovakia-Soviet frontier. Not a single Soviet tank crossed into Czechoslovakia. But extortion and blackmail were there just the same. It was clearly evident to the free people of Czechoslovakia that if they resisted the coup d'état of a very small minority of the Communists in that country, the Soviet tanks would be prepared to come into the country, as indeed they went into Hungary, to strangle freedom. The Soviets succeeded in pulling that nation behind the Iron Curtain. They did it so rapidly that the free government of Czechoslovakia was not able to appeal to any of its friends in the Free World or to the United Nations itself.

Some years later there occurred a similar situation in Hungary. I shall not review it in detail. Earlier today I placed in the RECORD full documentation from the first resolution passed by the United Nations to the last resolution passed by the United Nations—some 13 resolutions in all. Most of the effective ones, if indeed not all of them, were vetoed by the Soviet Union in the Security Council. When they were presented to the General Assembly, they were delayed by prolonged debate on the part of the Communist nations and some of the neutralist nations who sided with the Communists.

Mr. President, during all that time freedom was strangled to death in Hungary. The lessons of history are very clear. In World War II, little Holland was overrun by Nazi Germany in 5 days. Belgium was overrun in about 7 days. Denmark was taken over in a couple of days. In less than a week the Nazis gained control of Norway.

The United Nations General Assembly debated the Hungarian question for more than 45 days. Decent nations could lose their freedom and go down the drain in that period of time.

If the Free World is not to be nibbled away piece by piece, some effective way must be found inside or outside the United Nations, to prevent the occurrence of the new type of aggression which has taken place in various areas of the world.

I shall support the resolution because I think it is at least one step forward; but it does not remove the great obstacle which exists today in the United Nations, namely, the power of the veto by the Soviet Union as a potential aggressor, or the power, by prolonged debate to confront the United Nations and the Free World with a fait accompli, as to which it can be said, as was said about Hungary: "Yes; freedom has been destroyed, but what are you going to do about it?"

Unless we are to come to one of the great crossroads of history, a period of time which may be as important as any other in the entire history of civilized man, we must with accord and with foresight, together with the other free nations of the world, be prepared to take

whatever risks are necessary in order to maintain a Free World of free men.

Mr. GREEN. Mr. President, I too wish to associate myself with the remarks of the junior Senator from Alabama. As the Senator has pointed out, this resolution is identical with Senate Resolution 15, which was agreed to by the Senate on August 8 last year, except that the concurrence of the House of Representatives will be sought now, although it was not sought then. It was the hope of the Committee on Foreign Relations that such concurrence will lend additional weight to the expression of the Senate on the establishment of a United Nations Force, similar to the United Nations emergency force which has been so helpful in keeping to a minimum outbreaks of violence along the Arab-Israeli border. Moreover, it was the thought of the Committee that such united action by the Congress will strengthen the position of the United States at the United Nations.

Senate Concurrent Resolution 109 is identical with S. Res. 15 and so is very timely now.

Mr. President, I hope the Senate will unanimously reaffirm its advocacy of a United Nations Force and will offer the House of Representatives an opportunity to associate itself with the Senate in this matter by passing S. Con. Res. 109.

Mr. FLANDERS. Mr. President, I was glad, indeed, when the resolution was reported by the Committee on Foreign Relations, and to hear the support given to it by the junior Senator from Alabama. He and I and other Senators have joined together in years past in submitting similar resolutions.

Last year a resolution was reported—it was only a simple Senate resolution—which finally met with the approval of the Department of State. It is good to have this resolution as a concurrent resolution. I hope that it will be unanimously agreed to, as was the resolution last year.

I suggest that the proposed police force of the United Nations would have particular applicability at the present moment. On the appeal of the President of Lebanon that outside forces were bringing about disorder in his country, the President of the United States very properly, as had been promised in advance, sent United States forces to prevent any such external upsetting of the government within the boundaries of Lebanon.

The Secretary of the United Nations made an investigation and reported that he saw no evidence of outside infiltration of men or arms. That was an opinion. What is needed in this particular case is United Nations force sufficiently strong to guard the borders and to make certain that there is no importation of men or arms directed toward upsetting the Government of Lebanon. If such a force were available and could be applied to the task of protecting the borders, there would then be no necessity for our forces to remain there. In the first case, there would be no possibility of their usefulness, for if the disturbances were internal, in the minds and hearts and desires of the people of Lebanon, nothing that an armed force

could do would prevent changes from taking place. If, however, the activity were supported materially from the outside, then a United Nations police force could assure the safety of the borders.

I hope the time will come when an undertaking so necessary to the preservation of peace, can depend on the availability and on the allocation of duties to a United Nations police force.

Mr. WILEY. Mr. President, I, too, join with the Senators who have spoken in relation to a United Nations police force. I believe such a force has possibilities.

I wish that all America could have heard what the Senator from California [Mr. KNOWLAND] said today in relation to the incidents of the past. What concerns me about the resolution, of which I am a cosponsor, is that it gives a false impression to some persons who do not think the problem through. What is the problem? In simple language, it is the Kremlin, under Khrushchev, seeking and willing to do what it thinks is necessary to achieve world domination. The incidents related by the Senator from California a few moments ago demonstrate clearly what the footsteps show to those who will observe.

The danger is, when we talk about a United Nations police force, that the average man will react by thinking that such a force will be competent. Everyone knows that a police force has its part to play, but it could never put out a conflagration which the Kremlin might start.

What has prompted me to speak at this time is that I received today a letter from my own State. In substance, it said: "Senator, we are asleep. Some of us are afraid that we will become complacent. We are going to think, now, that we can bluff the Kremlin. We are wondering if the time has not come for Congress to reinstate some \$7 billion of taxes which were removed some years ago. We are wondering if the country really is aware of the danger which faces it."

I do not say the letter expresses my view, but it expresses, first, a realization that a large part of the people have become complacent—as I have said on other occasions—just as many of the American people were before Pearl Harbor, when many of the people of this country said no such thing could happen. The letter also indicates that many of our people do not realize the tremendous cost to us. The letter also suggests that many of the people of this country do not realize the threat to our economy as a result of the anticipated \$10 billion or \$11 billion deficit as of next year.

Mr. President, why should not we meet the problem head on, as we did before, when the situation was no more critical than that today?

We are considering a police force which it is anticipated the United Nations will bring into being. I hope the force is created, and I hope it will be strong enough to cope with anything short of a major conflagration.

But I do not wish anyone to obtain the impression that such a United Nations force will be adequate or will have sufficient strength to meet any challenge

by the Kremlin—for instance, if the Kremlin were to decide to "send up a trial balloon," as the expression is. Our people would make a serious mistake if they were to believe that the creation of such a police force would permit them to relax and to fail to make adequate provision to take care of themselves.

Of course we are dealing with the Middle East primarily in the interest of our own country. Our people must understand that clearly. We realize that if the Kremlin were to take over the Middle East, with all its potential wealth, including oil, the Kremlin then would have control of the crossroads to Africa, and thus would have control of the raw materials of all those countries.

As I stated yesterday, in the United States are to be found only 2 of the 32 vital minerals or materials our country must have. Fortunately, many of the others are found in South America. But the report I quoted shows clearly that situation.

So I repeat that following the creation of the United Nations police force—and I certainly trust that it will be created—our people must not have the impression that that force alone will be adequate or sufficient.

Mr. MANSFIELD. Mr. President, I desire to join my colleagues in extending congratulations to the distinguished Senator from Alabama [Mr. SPARKMAN] for the continuous, vigorous, and outstanding work he has done in behalf of creation of the United Nations police force. This is not a new activity or interest on his part, for, to my knowledge, he has worked in this direction for the past 8 years. But I believe the fact that he was responsible for having his Senate resolution agreed to earlier this year, and the fact that he now has pending before the Senate this concurrent resolution, which has been approved unanimously by the Senate Foreign Relations Committee, indicate his great interest and statesmanship and his desire to have something constructive done in this most important international field.

I hope the efforts of the Senator from Alabama will be crowned with success this afternoon, by means of a unanimous vote in favor of the adoption of the concurrent resolution.

Mr. CASE of New Jersey. Mr. President, I wish to add my commendation to those which already have been made of the work done by the Senator from Alabama [Mr. SPARKMAN].

It was a distinct pleasure for me to be associated with him in connection with the earlier draft of the concurrent resolution. His success in obtaining the approval and recommendation of the Foreign Relations Committee is most timely, because, as has already been stated on the floor of the Senate, this matter has a direct bearing on the current situation in the Middle East.

It is certainly true, as was so well pointed out by the Senator from California [Mr. KNOWLAND], that this United Nations force, in any shape in which it conceivably or feasibly may be created, will by no means be the entire answer to the problem we face. It still will be necessary, as he pointed out, and as was

pointed out by the Senator from Wisconsin [Mr. WILEY], for our country and its allies to have strength in material and military ways and to have the strength, the will, and the determination to exert the influence and fulfill the responsibilities that power brings with it in this world. This provision is by no means a substitute for those things, either on our part or on the part of our allies.

It is quite true, as the committee report itself states, that problems exist even in connection with the details of the establishment and management of a United Nations police force of this sort.

Nevertheless, this is a very real step in the right direction. It may have important value in leading to a solution of the situation now existing in the Middle East; and, perhaps most important of all, in the present juncture, the action of the Senate in approving the concurrent resolution—and I hope it will be agreed to unanimously—will have important value in making very clear to the world that today, as always, our country has no desire whatever for aggrandizement, and has no purpose of aggression, and that it supports to the fullest extent possible all efforts and activities of the United Nations to be of use in connection with matters which affect one or more countries.

Mr. HUMPHREY. Mr. President, I am very much pleased that today the Senate is to act on Senate Concurrent Resolution 109 which, as has been stated, is almost identical with a Senate resolution which was agreed to last year.

Senate Concurrent Resolution 109 has been reported unanimously by the Foreign Relations Committee, and has been supported individually by Members of the Senate, by means of speeches in the Senate Chamber, other public statements, and releases.

As a matter of fact, on a previous occasion the substance of the concurrent resolution was supported unanimously by the Senate.

It is our hope that by means of the adoption of the concurrent resolution by both the Senate and the other body, the administration will have a clear mandate to seek to have the United States take the lead in the United Nations in the effort to establish the United Nations police force.

Mr. President, I have addressed myself again and again to the need of the Government of the United States assisting in the development of a United Nations police force, so that we did not have to take upon ourselves the burden of policing huge areas of the world. Had we had a United Nations police force in the Middle East, American marines would not be in Lebanon today. Every Member of the Senate knows that a U. N. police force is acceptable as an instrument of law and order, while the forces of any individual state are looked upon as intruders.

It is my opinion, as I have said before in the Senate, that there are three possibilities in the Middle East area. One is Communist domination; the second is a kind of irresponsible emotional nationalism—Arab nationalism compounded with Nasserism; there is a third possibility, which makes much more sense, and that

is a constructive neutrality in the area, where the forces of law and order, insofar as armed forces are concerned, are provided by the United Nations. It is to the latter alternative that I think we should direct our attention.

Mr. President, I wish to make a brief statement in reference to the Middle Eastern situation that is directly related to the resolution before the Senate. No resolution could be more pertinent and more timely. This resolution and its adoption can be a sign of good things for the people around the world, because people are wondering just what we are going to do. As a matter of fact, the American people wonder what the future offers. They know our forces are in the Middle East, but they are asking themselves, for what? What are they going to do? Where do we go from here? How do we get them out without losing face, without jeopardizing our national honor, and without sacrificing all we have worked for throughout the world for so many years?

Mr. MORSE. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. MORSE. I wish to commend the Senator from Minnesota for his leadership in the foreign-policy field, as well as in the domestic field. I wish to associate myself with the Senator from Minnesota in the remarks he is now making in support of the Sparkman resolution. As he knows, as a member of the Foreign Relations Committee I spoke in support of the resolution in committee. I want the RECORD to show I ardently support it on the floor of the Senate.

What I want to call to the attention of the Senate, however, is the accuracy of the prophecies of the Senator from Minnesota. It would be very interesting to make a compilation of the predictions and the prophecies of the Senator from Minnesota in the field of foreign policy, and then compare them with events subsequent to those prophecies. The Senator from Minnesota shows remarkable insight and foresight.

I think that statement is particularly true with regard to the courageous position which he has taken on the floor of the Senate in regard to intervention by use of American Marines in Lebanon. As the Senator from Minnesota knows, the senior Senator from Oregon spoke out against that policy on the part of the President. The RECORD shows that after the President's message was read to the Senate I immediately expressed a contrary point of view, in some detail, here on the floor of the Senate. I am perfectly willing to stand on the record I made in regard to my opposition to sending Marines into Lebanon. I think this horrendous mistake is going to cost us prestige in the Middle East for many years to come.

Mr. President, I was particularly impressed, in reading the Sunday Washington Star of July 20, with this statement attributed to the Senator from Minnesota, which I know is an accurate attribution. The article reads:

Senator HUMPHREY, Democrat, of Minnesota, chairman of the Senate's Middle Eastern subcommittee, said in a statement, the Khrushchev conference invitation might

have been expected, because "the Soviet leader has consistently sought to bypass the United Nations."

Senator HUMPHREY said, "there should be talks, at the highest level and immediately, . . . but the question is, under what auspices? I suggest the United Nations."

"Better that old men talk and negotiate than that young men fight and die," Senator HUMPHREY said.

I wish to say that sets out exactly the point of view of the senior Senator from Oregon. As I said at the time the Khrushchev letter was first made public, I would have no objections to a so-called summit conference with Khrushchev, provided it was with the understanding that the American delegation to any such conference would make no commitments, but would only agree to carry to the United Nations any proposals made at the summit conference.

I want the RECORD to show that I stand shoulder to shoulder with the Senator from Minnesota in insisting that we work out our foreign policy in the Middle East and elsewhere through the United Nations, and not by unilateral action. That is why I am proud to stand on the floor of the Senate and support his statesmanship in urging adoption of the resolution.

Mr. HUMPHREY. I wish to say to the Senator from Oregon it has been my feeling that our policy in the crucial area of the Middle East should be directed through, outlined through, and channeled through the United Nations.

I shall not speak any more about it, because I think the record is manifestly clear. Our policy surely needs new development, and beyond what we have had to date.

Mr. President, the newspapers this morning told us that the President of the United States has agreed to participate in a summit conference at the United Nations. For this I am grateful and pleased, and wish to commend the President. But the State Department has let everybody know how reluctant and apprehensive it is about the whole business.

As I turned on the radio this morning at 7 o'clock, I heard repeated broadcasts over the networks to the effect that, while the President has agreed and had suggested a conference under the auspices of the United Nations, the State Department had let it be known it was doing this reluctantly and that it was doing it only under pressure.

Once more, Mr. President, our officials have taken a position and then surrounded it with so much self doubt and reticence that it spoils the whole public image of the position they have taken.

It may or may not be true that the reason President Eisenhower has proposed a U. N. summit meeting is that the British Prime Minister has insisted upon it. It may or may not be true that the same Presidential "advisers" who are widely referred to in this morning's press as opposing the U. N. meeting would have been enthusiastic, instead, about a quiet meeting with Premier Khrushchev on East-West relations. In any case, we have once more worked ourselves into a position of apparent foot-dragging on

an issue that the world thinks is important. We have managed to place ourselves in the worst possible light while taking a step apparently designed to placate world public opinion.

As Mr. James Reston says in this morning's New York Times:

The final irony of this remarkable development is that the main hope of officials here is that the offer to convene the government heads at the United Nations will be turned down by the man who has pressed the hardest for a summit meeting, Nikita S. Khrushchev of the Soviet Union.

But, Mr. President, the news tickers of the afternoon—Associated Press, United Press, International News Service—reveal to us that Nikita Khrushchev has accepted, and has made one or two recommendations which in the main are constructive. Let me read the bulletin I have from the Associated Press, dateline London:

Soviet Premier Khrushchev agreed tonight to attend a summit meeting within the U. N. Security Council provided that Indian Prime Minister Nehru and Arab leaders are invited as well.

Mr. President, of course, we all know Mr. Nehru can attend any meeting he wishes in the United Nations. We know the Arab leaders are entitled to attend also, because under the charter of the United Nations a representative of a particular country may be the head of state, the foreign minister, or anyone designated by the responsible governments of the particular nation states which are members.

Mr. President, we can argue about the desirability of having a summit conference, but once the decision has been made it is not only bad public relations but I think bad policy to ring around it all the doubts and apologies which we have heard during the last 24 hours. As the Washington Post and Times Herald says editorially this morning:

"Kicking and screaming" is the only apt phrase to apply to the grudging acquiescence of the administration to a meeting with the Soviet Union on the Middle East. * * * Why, oh why, do we always seem so negative, so barren of concern for the appearance we create in the remainder of the world, particularly in the countries we are seeking to persuade about our peaceful intentions?

Mr. President, I ask unanimous consent that the text of this revealing editorial be printed in the RECORD at this point in my remarks.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

IS THIS LEADERSHIP?

It was Adlai Stevenson who once described the Republican Party as having been dragged, kicking and screaming, into the 20th century. Quite apart from any partisan connotation, kicking and screaming is the only apt phrase to apply to the grudging acquiescence of the administration to a meeting with the Soviet Union on the Middle East. Not until a split with Britain on the issue became evident did the administration reluctantly consent without bothering to hide its displeasure. No matter how much Mr. Khrushchev may have deserved President Eisenhower's exhortation, vituperation serves little purpose. Why, oh why, do we always seem so negative, so barren of concern for the appearance we create in the remainder of the world, particularly in the countries we

are seeking to persuade about our peaceful intentions?

Not that either Mr. Khrushchev's proposal or the current Soviet tactics warrant much confidence that such a meeting will produce constructive results. The Soviet veto yesterday of the Japanese resolution to augment the United Nations Commission in Lebanon, though expected, was a discouraging commentary on the Kremlin's sincerity in professing to seek a solution. Evidently, if the U. N. is to assume a larger role and thus obviate the need for American troops, the effort will have to be made over Soviet opposition in the General Assembly—though happily Secretary General Hammarskjöld has indicated that he will seek to increase the U. N. force even before Assembly consideration.

But the fact remains that the United States has again invited the suspicion that it is afraid to talk peace with the Russians. Yet it is essential, particularly if we plan to seek approval in the General Assembly, to demonstrate that we are willing to go to any length for honorable accommodation of differences. There is not much point in moaning about the supposed inadequacies of our information efforts abroad when the attitude of the administration speaks so much louder than anything our information program can say.

Mr. HUMPHREY. Mr. President, the summit conference controversy has been going on for many months. It has been going on so long, in fact, that the State Department could by now have even made preparations for it.

Senators will recall that one of our objections to the so-called summit conference was the lack of preparation. We have been objecting for approximately 4 months, by some kind of retreat or negative attitude.

The kind of careful preparations in advance which the Department has always said were essential for a conference, but which according to the State Department spokesman we have not yet made, could well have been made during these intervening months.

Mr. President, I say again, time after time, as one Senator, I have stated that Nikita Khrushchev would so manipulate the affairs of this world that we would find ourselves in a summit meeting before this fall. By just common ordinary horse sense and looking at things as they were developing, I have said we were destined for a summit meeting, and therefore we ought to prepare for it. Therefore, I stated that we ought to start to outline an agenda; that we ought to stake out the frame of reference; and that we ought to start to let the people of the world know where we think that meeting should take place, under what auspices it should take place, and so on. But, Mr. President, our Government is addicted to pretending things will not happen. Our Government is addicted to trying to avoid the tough decisions until they are forced right down our throats.

It has been entirely predictable that a summit conference would take place. The questions were and still are: Under what auspices? In what context? What shall be the issues? Who shall attend?

We have refused to come to grips with these matters, Mr. President.

Speaking on the Senate floor on February 4, 1958, I said:

The Soviet Union has offered two possibilities. The first, the so-called summit con-

ference, the second, within the General Assembly of the United Nations.

Those are the broad possibilities. Let us examine them.

While neither of these alternatives lend themselves to truly responsible, effective and methodical negotiations, they do suggest other possibilities within the framework of the United States or within the channels of traditional diplomacy. For example, the Secretary General of the United Nations has mentioned three approaches in addition to the General Assembly—the Disarmament Commission, the Security Council, and the facilities of the Office of the Secretary General of the U. N.

I subsequently said:

Then there are also the foreign minister level, and negotiations at the summit, with a limited agenda, and with agreed-upon items for discussion. It is our responsibility as a nation, in our search for peace, to explore every reasonable possibility and alternative.

Mr. President, there were three possibilities offered within the framework of the United Nations. We waited and waited and waited, until the situation in the world became so desperate that Nikita Khrushchev on Saturday last, could seize the initiative and could tell the terrified people throughout the world who were fearful of an impending world war that he was prepared to discuss peace and prepared to negotiate for it.

On February 19, 1958, in a speech at Fairleigh Dickinson University, New Jersey, I commented on the lack of progress toward higher level negotiations in the following terms:

Both the United States and the Soviet Union, despite their respective demands for diplomatic negotiations and a summit conference, seem reluctant at the moment to conduct negotiations on any Government level higher than that of the post office. How the cause of peace can be advanced in an atmosphere of such stubbornness, mistrust, and suspicion, the anxiously waiting world does not know.

Mr. KNOWLAND. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. KNOWLAND. I will say to the distinguished Senator from Minnesota, that I have the highest regard and respect for him. The two of us served together in the United Nations General Assembly in 1957. However, I want respectfully to suggest to the Senator that it is important there be ample preparation for a meeting of this kind, because I think the Senator will remember as vividly as some of the other Senators on this floor, and perhaps some of our visitors in the galleries, that when the great powers went to Munich the promise of Mr. Hitler at that time was that if they would yield only the Sudetenland there would be peace in our time and he would make no further territorial demands on Europe.

The ink was hardly dry on that agreement when Nazi Germany, in violation of its pledged word at Munich, moved in not only to take over Czechoslovakia and Austria, but subsequently moved into Poland, and the world had a clear demonstration there that the road to appeasement is not the road to peace. I think it is very vital for the future security of this Republic and the pres-

ervation of the Free World of free men that we should not be trapped into another Munich.

Mr. HUMPHREY. I could not agree more fully. I believe that what the Senator has said is not only historically true, but it is prophetic.

The Senator from Minnesota is saying exactly the same thing. We need to be prepared. The Senator from Minnesota is saying that while we have been saying that we ought to be prepared, and are constantly arguing about the kind of preparations we should make, we have made little or no preparation. Now we find ourselves faced with a world situation in which the Soviet Union is constantly threatening with massive armed attack if we move further. We find ourselves in a situation in which American forces are thousands of miles away from their home base. As I said on this floor last Wednesday, and have said on two previous occasions, Nikita Khrushchev has so manipulated affairs and events that he has us backed up against the wall, where we dare not do anything but accept a conference. We accepted it under what I think are the most desirable auspices, the United Nations. The Senator from Minnesota is saying that the kind of careful preparation which was needed should have been on our timing, should have been according to our plans, under circumstances which we felt were relatively favorable to a settlement that would be reasonable and fair. I shall develop this point.

On March 3, 1958, I took the Senate floor to comment on the significance of the latest Soviet note on preparations for the conference. At that time I said:

In any meeting with the Soviet Union serious consideration should be given to include on the agenda not only disarmament, but also the two central problems disturbing European peace today, namely, the reunification of Germany and the future of the East European captive countries, as well as the question of restoring amicable relations in the Middle East.

It is interesting to note, as I said on Wednesday, July 16, that in our final note to the Soviet Union prior to the Lebanese crisis, on the subject of a summit conference, we did not include the Middle East. We excluded it, and it was to this very exclusion that Nikita Khrushchev directed his attention. In the Saturday message of Khrushchev about the summit meeting he forced our hand on the Middle East question.

Mr. President, in an address at Central Wisconsin Teachers Association at Wausau, Wis., March 7, 1958, I said that—

The United Nations Security Council is the logical channel for our next effort to resume talks with the Soviet Union on outstanding issues.

I ask unanimous consent that excerpts from my remarks on that occasion be printed at this point in the RECORD.

There being no objection, the excerpts were ordered to be printed in the RECORD, as follows:

"For many years the Security Council has been crippled by indiscriminate use of the veto, but it is, nevertheless, the body which has, under the United Nations Charter, been

formally charged with primary responsibility for the maintenance of international peace and security. I think that in the current crisis of international peace and security we should resort to the Security Council and utilize its machinery to the greatest possible extent. If obstructionism or the veto should block effective Council action, then—but only then—we should carry our negotiations to other channels.

The issues involved, however, are much broader than NATO—they affect the interests of the entire world. The 'cold war' is not a private squabble between Moscow and the NATO powers, but a state of tension that affects the lives and fate of people on every continent of the globe. In Asia, Africa, and Latin American nations are watching with deep concern the progress of the exchange between the major Atlantic powers and the Kremlin because they know that their own future depends on the outcome.

"Yet, despite the interest and concern of the governments and peoples of nations all around the globe, we have been treating most of them as mere bystanders. It would be to our interest to associate these countries more closely with the policies and the decisions that in the last analysis profoundly affect all of them.

The United Nations, as the instrumentality of formal political cooperation established by practically all the nations of the world, is the proper channel through which policy coordination should be achieved. The General Assembly, with some eighty members, is too cumbersome an agency for this purpose. But the Security Council, containing as it does countries from nearly every major region of the world officially chosen by the entire membership of the General Assembly, could offer a means of broad representative negotiation and consultation.

"But wherever we negotiate, we should consult with all those members of the Security Council that desire to do so. We cannot consult with every country in the world—this would be an endless and futile process. But we can get together with those countries which have been chosen by all the members of the General Assembly—the 'town meeting of the world' as their official representatives, so to speak, on peace and security matters. We would thus show our regard for the views and interests of nations throughout the world and not just those who have chosen to ally themselves militarily with us in the North Atlantic region. Our own policies would be immensely strengthened by recognizing the broad interests of nations everywhere in the great issues of peace and war, and we would derive much profit from this demonstration of our respect for world opinion."

Mr. HUMPHREY. This is a hurried survey of the CONGRESSIONAL RECORD. Time after time it was my feeling—and I so expressed myself to members of the press, the radio, and television; on Meet the Press, and on Face the Nation, that the United Nations was the place for America to conduct its negotiations with the Soviet Union. Let me tell Senators why.

In the United Nations we find at least a reasonably objective, and I trust friendly, environment. In the United Nations there are capable Free World statesmen.

There are in the United Nations nation states which do not wish to be the victim of a United States-U. S. S. R. conference.

The Senator from Minnesota has said that one of the greatest claims we could

make to restore our prestige throughout the world, wherever it may have faltered, is that we are the defender of the independent small nation; that we refuse to make a deal with the Soviet Union at the expense of other peoples. I know that nations and peoples live in mortal fear that we and the Soviet Union may some day sit down at the table and literally carve up the world.

As a nation believing in principle, I know that we shall not do so, but this fear lurks in the minds of thousands of people and hundreds of political leaders throughout the world.

It is interesting to note that in Mr. Khrushchev's message to our Government on Saturday last he excluded the small nations. He did not even include in that message any consideration of the Middle Eastern states themselves. He comes around to that today. His first proposal was for a big power meeting. What a glorious opportunity we had to remind him that when we are talking about the lives of other people, such as those in the Middle East, we want them represented at the conference table. This is the point we ought to have been making, but we did not stress that point. That gave Khrushchev another 4 days to recoup his mistake. He comes forward today and says, "We will meet, but we want to have the states of the Middle East represented." That was our opportunity. We too still have friends in the Middle East.

Again, Mr. President, on March 27, 1958, I referred to the utility of the United Nations is planning for a summit conference. On that occasion I said:

Let me reiterate today what I have said on many previous occasions. We must utilize the United Nations framework whenever it offers an opportunity for a constructive and imaginative approach to major problems in international affairs. Clearly, it should be utilized now in our efforts to prepare for high-level summit meetings. Let us make the United Nations into an instrument of help to American foreign policy. We should not bypass the United Nations; we must use it.

I call upon the President and the Secretary of State to proclaim not only our desire but our request that the negotiations be undertaken immediately within the councils of the United Nations.

Hour by hour we are losing the propaganda battle because of timidity, caution, and an apparent lack of understanding of the urgency of the desire for peace in the world.

I appeal, as an American and as a Senator—one with some responsibility in this area—for our Government to get off dead center and move to a positive and affirmative position.

Once more, Mr. President, on April 1, 1958, I took the floor of the Senate and said the following:

Yet within 250 miles of this Chamber stands an institution dedicated to the preservation of peace; an institution which had its conception and birth in America—the United Nations.

I suggest that our diplomacy get out of Foggy Bottom and move on up to the United Nations, where the environment is one that is conducive to peace and discussion; where the facilities are designed for international conclaves; where the Secretariat itself, under the dedicated leadership of Dag Hammarskjöld, has a beneficial and helpful influence in the cause of peace.

Then, Mr. President, we will not have to worry about who will attend, whether it be Khrushchev or Gromyko. If they come to the United Nations, they will come to America; but they will come to a center designed for peace. Whoever it may, whether it be the First Minister, Mr. Khrushchev, or whether it be Gromyko, whoever comes will have to work within the rules, within the confines, and within the Charter of the United Nations.

Mr. President, I cannot understand why we are so hesitant. I plead with our Government and I urge upon our President that we hear his voice and that we find from him what is to be our course of action. In such a situation as this, no one except the President can give direction. We need him now, and we need his sense of direction and vision for clear-cut objectives, not only for the United States, but for the entire world.

Mr. President, on June 6, 1958, Secretary Dulles appeared before the Senate Foreign Relations Committee. During the course of this hearing he was asked for his views on the possibility of a summit conference. At that time, Mr. Dulles said:

So far, nothing has developed to make me believe that a summit conference would serve a purpose which could not equally or better be served by negotiating under other conditions. . . .

I would say this: I feel absolutely certain that there is no reason for a summit meeting other than the rather arbitrary Soviet view that they want to have it and may be unwilling to make agreements at lower level, merely to force a summit meeting.

Now, that position on their part would be, in my opinion, entirely arbitrary and unreasonable.

But if, in fact, it seemed as though in that way something could be arrived at which was significant, worthwhile, I suppose we would acquiesce in the arbitrary and unreasonable nature of the Soviet position, if, in fact, that was the only way to get something important and worthwhile.

I digress with a comment of my own. That is anything but an enthusiastic interest.

I continue with the quotation:

I do not as yet see any likelihood of that developing to be the fact, but we have only begun these exploratory talks, as far as that is concerned, so my present views are necessarily provisional and subject to change.

The negative impact of this kind of public statement disturbed me at the time. I gave vent to my feelings on this matter in a slightly different vein when discussing the Geneva scientific talks on June 26, 1958, on the Senate floor. At that time I said:

Mr. President, I want our great country, the United States of America, to stand before the world as being willing to go beyond the call of duty for the cause of peace. I want the world to understand that we are not willing to permit any personal quirks, any personal statements, any personal pique, or anything else of a personal nature, to stand in the way of great decisions which are designed to assure world peace.

On Wednesday of last week, Mr. President, during the first tense hours after the President ordered Marines into the Middle East, I again took the Senate floor, and among other things discussed the issue of a summit conference. In discussing the problem of

Soviet reaction to our move in Lebanon, I said:

We can expect the Soviet Union to engage in the most flagrant kind of intimidation.

Without doubt Khrushchev and his associates in the Kremlin have designed a policy to spread fear, doubt, and concern throughout the entire Western World and vast areas of Asia and Africa. One of their purposes is generating a public opinion which will compel the leaders of the countries friendly to the United States to insist that we attend a summit conference, for which we are unprepared—a conference which will be held at a time of Soviet choosing and at a time when the conditions are conducive to Soviet success. Today's events will help the Soviet Union to appear to be acting in the interests of peace and at the same time be able to accomplish certain objectives.

That was said on Wednesday of last week. Mr. Khrushchev made his recommendation for a summit conference on Saturday of last week. The Senator from Oregon said that I had made some predictions. Yes; I have. I predicted that the Soviet Union would call off its atomic tests. Anyone with the brains of a March hare should have been able to predict it. All that one needed to do was to note what was happening. Again we were caught by surprise. We have more surprise packages delivered to this country in the field of international affairs than a 6-year-old child gets at a birthday party.

Last Wednesday I went on to say:

Under such circumstances let us consider the Middle East. Here recent developments tend to force public opinion in the world to a point of near desperation in fear that there will be a nuclear war. Then will come the hour when Khrushchev and his kind will say, "There is only one way to settle these problems, and that is to have a big meeting of the leaders." They will serve notice that they are prepared for the meeting, that they want to meet, and that they want to have a certain agenda, for which we have not planned.

We did not have long to wait. On Saturday, July 19, 1958, Mr. Khrushchev sent his letter to President Eisenhower demanding an immediate summit conference. I ask unanimous consent that a press release which I issued upon hearing this news last Saturday be printed at this point in my remarks.

There being no objection, the press release was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR HUBERT H. HUMPHREY, DEMOCRAT, OF MINNESOTA

The Khrushchev summit conference invitation today might have been expected. The Soviet leader has consistently sought to bypass the U. N. I have felt, and stated publicly as late as last Wednesday, that one of the Soviet objectives was to drive us into a summit conference, and by this to attempt to formalize the Soviet position of influence in the Middle East.

Indeed there should be talks, and at the highest level, and immediately. Better that old men talk and negotiate than that young men fight and die. But the question is, under what auspices? I suggest the U. N.

The talks about the future of the Middle East should not be confined to the great powers. The Middle East states themselves have the right of self-determination, rather than being carved up into great power spheres of influence.

The proper forum for these talks should be the United Nations—at either the

Security Council or the General Assembly level. There is nothing that Khrushchev can say at a summit conference about the Middle East that he cannot say in the U. N. In such a conference we should seek to have set up a mechanism in which the Middle East states themselves may participate, with the help of the other U. N. nations—perhaps a Middle East Commission, out of which might eventually grow a Middle East development agency for the economic and political development of the area.

There is no reason why Khrushchev, President Eisenhower, Prime Minister Macmillan, General De Gaulle, and Prime Minister Nehru cannot represent their nations at the U. N. summit, in this great crisis.

Mr. HUMPHREY. Mr. President, I have two purposes in reviewing this chronology today. The first is to reexamine what we have known for a long time—that a summit conference was in the wind and that it would have been better part of discretion for the United States Government to be prepared for it whatever our private hesitation and reluctance may have been.

Personal diplomacy in our Government has weakened the great organizational structure of the State Department, which makes possible careful preparations for these conferences. No matter how good a Secretary of State may be, he cannot carry everything in his briefcase. One man cannot be considering Summit meetings at the U. N. and at the same time charge off to London to try to rescue the Baghdad Pact, which is on its deathbed.

Mr. KNOWLAND. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. KNOWLAND. I wonder whether the Senator has read the dispatch which has just come over the United Press-International News ticker. It reads:

Add Soviet, Moscow.

The Soviet leader also proposed the condition that no resolutions be introduced into the session or voted on in the session unless they arise from previous agreements.

If the meeting is to be held under the United Nations Charter and within the framework of the Security Council, we apparently are confronted with the precedent of the Chairman of the Council of Ministers of the Soviet Union laying down a condition which in effect unilaterally tells the United Nations that the charter is to be laid aside in order that the head of the Soviet Union may participate. Under the United Nations Charter, while the Soviet Union or any of its other permanent members can exercise the veto power over a resolution after it has been debated and voted on, up to the present time no nation had assumed the prerogative of telling the Security Council of the United Nations that it could not even introduce or discuss a resolution unless it is first subject to veto.

Are we to have such an abject surrender on the part of the United Nations which will lay aside the charter of the United Nations on the unilateral demand of one member of that organization?

I say we had better look at this thing pretty closely. If the great United Nations organization, which presumably was established to preserve peace in the

world and to provide a system of international law and order which would preserve peace for ourselves and our children, must lay aside its charter on the demand of the Butcher of Budapest, then I say we have gone a long way toward the disruption of the United Nations as an organization which can preserve the peace of the world.

Mr. HUMPHREY. I find myself in no disagreement with the statement of the distinguished Senator from California. I would only make this supplementary remark. I agree that Mr. Khrushchev is the Butcher of Budapest. I agree that he is an obstinate, obstreperous character. I agree, as the Senator from California has said again and again that the Soviet Union has abused the veto power in the Security Council to the point of almost making the Security Council ineffective.

But the vultures have come home to roost—not chickens, because a chicken is a kind and decent fowl—the vultures have come home to roost. Which country was it which wanted to have a specific agenda set up before any meeting could be held? What diplomat was it who wanted to be sure that there would not be a wide-open docket at a summit conference?

The United States of America; our own Secretary of State; and I think rightly so. I am not criticizing him for it. I say "rightly so." He said, in effect, "We are not going to have a summit conference in which the Soviet Union can run all over the lot. We are going to have a predetermined and fixed agenda."

The junior Senator from Minnesota responded at that time by saying that the Security Council itself could be employed as an instrumentality to work out such an agenda.

What Mr. Khrushchev is now doing is throwing back into our teeth everything we recommended in the months of March and April.

Mr. KNOWLAND. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. KNOWLAND. Does not the Senator from Minnesota see a great difference between a conference among the powers in which they will agree in advance to an agenda, and a situation in which the meeting will be held in the Security Council, which operates presumably under the Charter of the United Nations, with the clearly defined rights, obligations, and responsibilities of the Security Council, and in which the Soviet Union, along with the other great powers, sits with the power to veto the action?

Does not the Senator see a great deal of difference between the two types of meetings; a meeting in which the Chairman of the Council of Ministers of the Soviet Union is saying that if it is held within the framework of the Security Council, he is not willing to rest alone on his power of veto, but wants the power to veto the introduction of a resolution, the power to veto a vote on the resolution, within the very framework of the Security Council and the Charter of the United Nations.

Mr. HUMPHREY. I surely see the difference; but I say with equal candor that we need a preliminary meeting among the great powers, such as the United States, Great Britain, France, and the Soviet Union, at the ambassadorial level, and that the agreed upon agenda should include items on which there has been unanimity that such items will be included. This is our position. That is the very instruction which Ambassador Llewellyn Thompson received from our Government.

In fact, we insisted on unanimity to the point where we wanted all three of the representatives of the West—Great Britain, France, and the United States—to work together in concert, so that there could be no discrimination on the part, at least, of the allies.

I say to the Senator from California, whom I respect greatly in these matters and in others, that, of course, Khrushchev will act like a most obstinate, obstreperous, intemperate person. Khrushchev is the kind of person who bargains hard. But I submit that if we continue to press for the meetings in the United Nations, Mr. Khrushchev will find it very difficult not to come, because Mr. Khrushchev does not mind insulting the United States, Great Britain, and France; he enjoys it. However, Mr. Khrushchev is attempting now to act as if he were the protector of the Arab nations, the underdeveloped nations, every one of the nations other than the big powers.

Mr. Khrushchev will be very careful in his public relations concerning what he is going to do about the United Nations and his participation there.

I am certain of one thing: Our Government ought to support enthusiastically such a proposition. There ought to be no foot dragging. The public relations and information officers of the Department of State ought not leak stories to the news service that, while we will go to the United Nations, the only reason we will go is that Prime Minister Macmillan has problems at home in his electorate.

I remind our Government that the same problem exists at home in our electorate. The letters which have come in since the intervention in Lebanon, if my office is indicative of the trend of thinking—and I have talked to many Senators about it—is overwhelmingly against intervention. I shall not argue the merits or demerits of that act; our Government has taken a position. All I say is that if the President of the United States, as the Commander in Chief, as the chief spokesman in foreign affairs, has said we are prepared to meet at the United Nations level, under one of the instrumentalities of the United Nations—perhaps it will not be the Security Council ultimately; perhaps it will be under the instrumentality of the Secretariat; perhaps it will be through a special resolution of the General Assembly; but somewhere within the framework of the United Nations—then I say the officers of the State Department should cooperate and not go around spreading doubt and confusion.

The whole world understands that we seek an honorable peace. Let the world

understand that we seek no Munichs. I do not believe that because we talk with the Soviet we will capitulate. It seems to me that those who make that kind of assertion are men of little faith. We will not capitulate, I hope. I trust that the United States has diplomats who are strong enough to stand up against Gromyko. I hope and pray that our President and Secretary of State can stand up against Khrushchev. If there is any doubt about it, that is all the more reason why we should be at the United Nations, where there will be some assistance from men who are extremely capable and able.

Some of the most brilliant statesmen of the world do not come from the big countries. Some of the most brilliant statesmen of the world come from the small countries. Those smaller countries, in size, have much to offer in terms of intellect, knowledge, and vision. We need their guidance and their help.

One of the reasons I have been supporting action through the United Nations in what I consider to be an inevitable conference between heads of state—and I have felt it was inevitable—is that I thought that at least the United Nations was the instrumentality designed for peace. There are rules within the United Nations. There is a history and a tradition within the United Nations. If we are to meet with Khrushchev, who is capable of violating any rule, then I want him to come into the councils of the United Nations, where there is more than 12 years of history and tradition of conduct among the nation states, which even Khrushchev will find difficulty in casting aside without bringing down upon his brow the resentment of the whole world.

Do not forget, Mr. President, that many countries do not look too favorably upon the select club deals made as a result of the big powers simply getting together and talking things out. I think what is needed in those meetings is the conscience of some of the smaller nations. Some of the smaller countries have great courage. The Norwegians, to give one example, refused to be intimidated by the Soviets, when the Soviets made all kinds of threats if the Norwegians accepted American armament and missiles.

Mr. MORSE. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. MORSE. I am glad to hear the Senator stress the need for the conscience of the smaller nations being brought into a determination of these problems. I have just read on the news ticker, as the Senator from Minnesota probably also has, that Khrushchev now has made another modification of his proposal for a summit conference. When he first pulled his propaganda coup, I said immediately thereafter, "Yes, I would be willing to meet with him if I were United States Secretary of State, with the understanding that no commitments were made, but that there would be only a discussion of proposals, and with the understanding that the proposals would go to the United Nations for action under United Nations procedure."

Now the news ticker item says that Khrushchev has another proposal. He will go to a summit meeting with conditions. One of the conditions is that the representatives of some 11 Arab countries will go along.

My public reply to that has been that I would still meet with him under the same conditions, but with the right of the Western Powers to add to the conference some of the small nations whose voices ought to be heard, including a delegate or delegates from Israel. Let us face up to the fact that there will be no peace in the Middle East, in my judgment, and there is little hope for peace in the Middle East, until Russia and the Arab countries will be willing to commit themselves, through the United Nations, to a guarantee of the territorial integrity of Israel.

Therefore, I think it would be a great mistake to bring in representatives from the Arab countries, which up until the second in which I am now speaking, are on the record as having said that they propose to wipe Israel off the face of the map at the first opportunity they have.

Mr. President, that will not help world peace. Therefore, if there is to be a proposal to add to the numbers of the delegates who will attend the conference by bringing in Arab delegates, the state of Israel should be represented if we are to be fair in this matter and are to achieve a settlement based upon the objective of peace.

Mr. HUMPHREY. I think the Senator's suggestion is highly commendable.

One of the reasons why I believe the negotiations should be conducted through the United Nations is that in that way a country such as Israel would not be outbargained or outraded in an effort to establish what some would regard as peace in the Middle East.

Therefore, I believe the concurrent resolution offers real hope for honorable negotiations.

Mr. President, the United Nations can work in many ways. Today, I have outlined some of them—for instance, special committees and ad hoc organizations through the United Nations Secretariat, the General Assembly, and the Security Council.

The substance of my argument, Mr. President, is that we now have an opportunity to seize the initiative, in terms of making constructive proposals for peaceful settlements of basic problems between nations. Let us utilize the machinery of the United Nations. Let us place ourselves unqualifiedly on record. If there are any ifs, ands, buts, or ors, if there are to be any conditions, or if there are to be any vetoes, let the Soviet Union have the responsibility for them.

By the same token, Mr. President, I plead for establishment of permanent United Nations police force, because, also in this instance, such a force will be to the advantage of the freedom-loving peoples, and will make it unnecessary and, in fact, undesirable for the forces of the great powers to be used as police forces in areas of the world, only to create new tensions, new international strife, and to provide no settlements of any of the basic problems.

The PRESIDING OFFICER (Mr. JORDAN in the chair). The question is on agreeing to the concurrent resolution.

The concurrent resolution (S. Con. Res. 109) was agreed to, as follows:

Resolved by the Senate (the House of Representatives concurring), That the Congress welcomes the establishment of the United Nations emergency force.

SEC. 2. It is the sense of the Congress that—

(a) a force of a similar character should be made a permanent arm of the United Nations;

(b) such a force should be composed of units made available by members of the United Nations: *Provided*, That no such units should be accepted from permanent members of the Security Council;

(c) consideration should be given to arrangements whereby individuals would be allowed to volunteer for service with such a force: *Provided*, That individuals who are nationals of permanent members of the Security Council should not be acceptable;

(d) equipment and expenses of such a force should be provided by the United Nations out of its regular budget.

The preamble was agreed to, as follows:

Whereas the United Nations emergency force, created pursuant to resolutions of the United Nations General Assembly of November 3 and 4, 1956 (A/Res/391 and A/Res/394), has made an important contribution to international peace and security in the Middle East; and

Whereas the need for such a force appears likely to continue; and

Whereas such a force could be an important instrument for the maintenance of international peace and security not only in the Middle East but also in other areas of the world: Therefore be it

Mr. LANGER subsequently said: Mr. President, I want the RECORD to show—and I ask unanimous consent that my remarks may appear immediately after the vote was taken on Senate Concurrent Resolution 109, which was a voice vote—that I voted against the concurrent resolution. In August 1957, when Senate Resolution 15 was adopted, I also voted against it. That resolution was also adopted by voice vote.

Mr. JENNER subsequently said: Mr. President, I file a motion that the action taken today by the Senate on Senate Concurrent Resolution 109 be reconsidered.

The PRESIDING OFFICER. The motion will be entered.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER FOR ADJOURNMENT TO 10:30 A. M. TOMORROW

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that, following the conclusion of its business today, the Senate convene at 10:30 a. m., tomorrow.

The PRESIDING OFFICER. Without objection, it is so ordered.

NEW FRONTIERS TO BE CONQUERED

Mr. MARTIN of Pennsylvania. Mr. President, in America we must never forget that there are always new frontiers to be conquered.

We will conquer these frontiers so long as the American system of free enterprise continues to provide encouragement and incentive to courageous men of vision and initiative. We will go forward to new heights of achievement so long as we retain the ambition to better our way of life.

A splendid example of American pioneering on a new frontier is described in a letter I have received from Dr. Paul R. Stewart, the eminent and distinguished president of Waynesburg College. He wrote from Colorado, where the Rocky Mountain Geology Station of Waynesburg College is located. Dr. Stewart refers to the work of T. C. Nelson and his associates in the discovery of new mineral wealth which is of great scientific importance in the development of space travel.

I ask unanimous consent that the letter be printed at this point in the RECORD as part of my remarks.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

WAYNESBORO COLLEGE,
ROCKY MOUNTAIN GEOLOGY STATION,
Florissant, Colo., July 17, 1958.

HON. EDWARD MARTIN,
Senate Office Building,
Washington, D. C.

DEAR SENATOR MARTIN: As we admit Alaska to our fellowship of States, we read articles and editorials to the effect that we have passed the last frontier and that pioneering has lapsed into history.

I want to give you a little narration which emphatically stamps a negation upon such a thought.

In this Florissant-Lake George region in Colorado, where our Waynesburg College Geology Station is located, a rugged prospector by the name of T. C. Nelson learned of the value of Beryl as a "dry fuel" for space travel. Between 20 and 30 miles southwest of the famous Cripple Creek gold area, in uninhabited mountain territory, Mr. Nelson persistently sought for and found quantities of this mineral so important to America's prestige. Using comparatively primitive "pick-and-shovel" methods, the great Boomer Mine came into existence. Machinery is now coming into the picture and new lodes are being discovered.

Mr. Nelson and the men who work for him are not only like the pioneers, they are pioneers. They are what you would expect them to be, hardy, rugged, God-fearing men of the type which would not deign to listen to subversive influences. We used to diagram the sentence, "when the tale of bricks is doubled, Moses comes." When crises of invention and discovery come upon America, such men as I have described are ready and eager for new frontiers, and in their beloved mountains they will find the materials for our country's progress.

So I give to you a new type of pioneer—the Colorado prospector.

Sincerely,

PAUL R. STEWART,
President.

EXPLORATION OF OUTER SPACE

Mr. JOHNSON of Texas. Mr. President, I move that the Senate proceed

to the consideration of Calendar No. 1762, House Concurrent Resolution 332.

The motion was agreed to; and the Senate proceeded to consider the concurrent resolution (H. Con. Res. 332) relative to the establishment of plans for the peaceful exploration of outer space.

Mr. JOHNSON of Texas. Mr. President, I have a brief statement to make about the concurrent resolution, which has been reported unanimously from the Committee on Foreign Relations. The concurrent resolution has been carefully examined by the minority leader, and he has approved taking it up.

At this time I wish to make a statement.

Mr. President, there are occasions—rare in history—when we have an opportunity to set long-range goals which will affect the destiny of our people. This concurrent resolution presents us with such an opportunity.

Fundamentally, this concurrent resolution is merely an expression of opinion. But under the proper circumstances and at the proper time, an expression of opinion can have more force and more impact upon the world than 20 divisions of trained troops.

As an individual, I was led into consideration of the problems of outer space by the investigation held by the Preparedness Subcommittee several months ago. That investigation centered around the defense posture of this Nation in the light of new weapons rapidly becoming available to man. But no thoughtful person could contemplate the facts without realizing that much more than military hardware was involved.

It became apparent that the new weapons were an offshoot of the tremendous scientific advances of the past two decades which had brought us to the threshold of exploring outer space.

The compelling facts of the international scene required that we pursue the development of these new weapons. But it seems to me even more compelling that we not allow the development of the new weapons to blind us to the existence of the mainstream itself.

At this moment, no informed person believes that humanity will be earth-bound for many more years. It will be only a matter of time until men themselves will have escaped the limits of the earth's atmosphere, to journey amidst the stars.

But the effort required will be tremendous. The technical difficulties are great. They can be surmounted only by a large-scale, cooperative effort never before equaled in world history.

For the past two decades it has been fashionable in some circles to blame our scientists for opening up new roads to destruction. I have never sympathized with that attitude. It has always seemed to me that, if humanity is bent on mass suicide, it is humanity, rather than the tools which are used, which must be blamed.

But here is an instance in which our scientists are placing in our hands new opportunities which may not only call for peace, but may compel peace. The demonstrable necessity for working together will eventually override the quarrels which divide us.

This concurrent resolution places in concrete form a policy which I believe to be absolutely essential to survival. On January 14, in a public speech, I said:

We should, certainly, make provisions for inviting together the scientists of other nations to work in concert on projects to extend the frontiers of man and to find solutions to the troubles of this earth.

Our President, holding as he does the esteem of men throughout the world, has a rare opportunity to lead in this labor boldly and forcefully, and in the vigorous pursuit of peace he will find the Nation undivided in his support.

Further, it would be appropriate and fitting for our Nation to demonstrate its initiative before the United Nations by inviting all member nations to join in this adventure into outer space together.

Mr. President, a strange new universe is rapidly opening before us. It is ours, not for plunder, but for exploration; not as an arena for space-suited gladiators, but as a broad highway to peace and to plenty.

I hope this concurrent resolution, which has the approval of the executive agencies, will serve as the great springboard for one of the finest ventures ever launched by men.

The PRESIDING OFFICER. The question is on agreeing to the concurrent resolution.

The concurrent resolution (H. Con. Res. 332) was agreed to.

The preamble was agreed to.

BOARD OF APPEALS OF THE PATENT OFFICE AND CERTAIN SALARIES

Mr. JOHNSON of Texas. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1818, Senate bill 1864.

The motion was agreed to; and the Senate proceeded to consider the bill (S. 1864) to authorize an increase in the membership of the Board of Appeals of the Patent Office; to provide increased salaries for certain officers and employees of the Patent Office; and for other purposes, which had been reported from the Committee on the Judiciary, with amendments on page 1, at the beginning of line 7, to strike out:

(b) The fourth sentence of such paragraph is repealed.

At the beginning of line 8, to strike out "(c)" and insert "(b)"; on page 2, line 3, after the word "annual", to strike out "basic"; in line 4, after the word "be", to strike out "\$20,500" and insert "\$20,000", and after the amendment just above stated, to strike out "that of the First Assistant Commissioner shall be \$20,000"; in line 9, after the word "examiners-in-chief", to insert "subject to the approval of the Civil Service Commission; in line 16, after the word "amended", to strike out "The Commissioner is authorized, in accordance with the civil service laws and the Classification Act of 1949, as amended, to appoint, fix the compensation, and prescribe the powers and duties of all other officers and employees of the Patent Office."; and in line 23, after the word "sentence", to strike out "The Commissioner is authorized, without regard to the Classification

Act of 1949, as amended, to fix the annual rate of basic compensation of any acting examiner-in-chief who is designated under this paragraph to serve as an examiner-in-chief at any rate not in excess of that authorized by law for examiners-in-chief while such acting examiner-in-chief is so serving." and insert "Such designated examiners-in-chief may be compensated at the established rate for the position in which they are temporarily serving, provided, that at the end of the period for which designated their rate of compensation shall be adjusted to what it would have been had such designation not been made,"; so as to make the bill read:

Be it enacted, etc., That (a) the first sentence of the first paragraph of section 3 of title 35 of the United States Code is amended by striking out the word "nine" and inserting in lieu thereof the words "not more than fifteen."

(b) Such section is amended by inserting therein, immediately after the first paragraph thereof, the following new paragraph:

"The annual rate of compensation of the Commissioner shall be \$20,000; and that of each Assistant Commissioner shall be \$19,500. The Commissioner is authorized, without regard to the provisions of the Classification Act of 1949, as amended, to fix the annual rates of basic compensation of the examiners-in-chief, subject to the approval of the Civil Service Commission, at rates not exceeding the maximum rate now or hereafter prescribed by law for employees of the classes described in the first section of the act entitled 'An act to authorize the creation of additional positions in the professional and scientific service in the War and Navy Departments,' approved August 1, 1947 (61 Stat. 715), as amended.

SEC. 2. Section 7 of title 35 of the United States Code is amended by adding at the end thereof the following new sentence: Such designated examiners-in-chief may be compensated at the established rate for the positions in which they are temporarily serving; *Provided*, That at the end of the period for which designated their rate of compensation shall be adjusted to what it would have been had such designation not been made."

Mr. O'MAHONEY. Mr. President, this bill, which was introduced by me, for the distinguished Senator from Wisconsin [Mr. WILEY] and myself, has been approved unanimously by the Senate Judiciary Committee, with instructions, however, that consultation be had with the Committee on Post Office and Civil Service.

The Senator from South Carolina [Mr. JOHNSON], the chairman of the Committee on Post Office and Civil Service, as well as a member of the Judiciary Committee, took up the bill with the Committee on Post Office and Civil Service; and on the first of July he stated on the floor of the Senate that the Post Office and Civil Service Committee also had endorsed the bill.

The bill is designed to clear away the backlog which has developed in the Patent Office.

There is no objection to the bill. I have consulted the minority leader; and the leadership on this side of the aisle has also been consulted.

As I have stated, there is no objection to the bill.

So I hope the bill will be passed.

Mr. WILEY. Mr. President, I join the distinguished Senator from Wyoming

[Mr. O'MAHONEY] in requesting that the bill be passed.

As he has stated, in substance the bill is for the purpose of clearing away a backlog which has developed in the work of the Patent Office. It is our judgment that the bill will enable that backlog to be cleared away.

In view of the great importance of the work of the Board of Appeals of the Patent Office and the necessity to attract to it patent lawyers of the highest capacity, the bill provides for increasing the compensation of patent examiners at the level of membership on the Board of Appeals.

The bill authorizes an increase in the membership of the Board of Appeals in the Patent Office from 9 to not more than 15.

There is still a serious backlog in the Patent Office, even though the recruiting of additional examiners in the lower grades has helped to lessen the backlog.

In order to increase the incentive to enter the patent service, and to bring into the Patent Office younger lawyers of the greatest ability, the annual basic compensation of the Commissioner would be increased to what it should be, namely \$20,500; that of the First Assistant Commissioner, to \$20,000; and that of each Assistant Commissioner, to \$19,500.

As the committee report states:

Inadequate compensation at this level affects adversely the salaries of the career employees and is probably the paramount factor in the high losses from the examining corps to private patent practice and industry. Examiners with as little as 5 years of experience and training in the Patent Office are accepting salaries in industry which are equal to, or in excess of, the present salaries of the Assistant Commissioners. The salary of the Commissioner is now \$16,000 (GS-18). The base salary of the Assistant Commissioners is now \$11,610. These salaries are in accordance with the Classification Act of 1949, even though these positions are filled by Executive appointments.

Their compensation should not adversely affect the rates of compensation of the highly skilled professional examining corps. The bill provides that the Commissioner and Assistant Commissioners of Patents be compensated at a rate which is reasonable in view of their required backgrounds and responsibilities.

Mr. President, a workman is worthy of his hire. I think the whole patent bar would agree that the work of the Commissioner of Patents has been so outstanding that his compensation should be at least the amount provided in the bill.

Therefore, I urge my colleagues to support Senate bill 1864.

The PRESIDING OFFICER. The question is on agreeing to the committee amendments.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the committee amendments be agreed to en bloc.

The PRESIDING OFFICER. Without objection, the committee amendments are agreed to en bloc.

The bill is open to further amendment.

If there be no further amendment to be offered, the question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

INCREASE IN SALARIES OF MEMBERS OF METROPOLITAN POLICE FORCE, FIRE DEPARTMENT, PARK POLICE, AND WHITE HOUSE POLICE

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1872, H. R. 13088.

The PRESIDING OFFICER (Mr. McNAMARA in the chair). The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H. R. 13088) to fix and regulate the salaries of officers and members of the Metropolitan Police force and the Fire Department of the District of Columbia, of the United States Park Police, and of the White House Police, and for other purposes.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. BIBLE. Mr. President, the purpose of this bill is to fix and regulate the salaries of officers and members of the Metropolitan Police force and the Fire Department of the District of Columbia, of the United States Park Police, and of the White House Police.

The measure is a complete revision of and repeals all of the act of June 20, 1953, except title III and section 405 of title IV thereof.

The bill provides for an overall increase in salaries for these employees of 13.8 percent and, by reason of the complete recasting of the pay structure, it is believed that the proposal will more effectively facilitate the recruitment and retention of fully qualified members, while correcting certain inequities. It has not been possible to recruit the full complement of the 2,500 authorized Metropolitan Police force under existing conditions. At the present time there are approximately 175 vacancies in the Metropolitan Police force.

The bill provides for an entrance salary of \$4,800 per annum for a private, class 1; 2 annual increases of \$200 each and 1 annual increase of \$240; 2 biennial increases of \$280 each; and 3 longevity increases of \$280 each at 4-year intervals, with a maximum salary of \$6,840 per annum after 19 years of service.

Mr. President, I ask unanimous consent that a statement I have had prepared, as well as an analysis of the cost differences between this bill and the bill reported by the Senate committee be made a part of the RECORD. I may say the only difference between the bill presently before the Senate and the bill reported by the Senate District of Columbia Committee—and the Senate is now considering the House bill—is that in the House bill the starting salary is \$4,800, rather than \$4,600. The total difference in the cost is in the neighborhood of \$178,000.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

The purpose of this bill is to fix and regulate the salaries of officers and members of the Metropolitan Police force and the Fire Department of the District of Columbia, of the United States Park Police, and of White House Police. The measure is a complete revision of and repeals all of the act of June 20, 1953, except title III and section 405 of title IV thereof. Title III contains the equalization feature and section 405 contains certain language necessary for pay computation purposes.

The bill provides for an overall increase in salaries for these members of 13.8 percent, and by reason of the complete recasting of the pay structure, it is believed that the proposal will more effectively facilitate the recruitment and retention of fully qualified members while correcting certain inequities. It has not been possible to recruit the full complement of the 2,500 authorized Metropolitan Police force under existing conditions. At the present time there are approximately 175 vacancies in the Metropolitan Police force.

This bill provides for an entrance salary of \$4,800 per annum for a private, class 1; 2 annual increases of \$200 each and 1 annual increase of \$240; 2 biennial increases of \$280 each, and 3 longevity increases of \$280 each at 4-year intervals with a maximum salary of \$6,840 per annum after 19 years of service. (Under existing law a private is required to serve a total of 28 years before reaching the maximum salary rate of \$5,635 per annum.) All other officers and members will receive 3 biennial service step increases and 3 longevity step increases at 4-year intervals. The service and longevity step increases are \$280 each in classes 2 through 4 and \$350 each in classes 5 through 10. Service and longevity step increases are based on length of service in the respective classes; provided the officer or member has a current efficiency rating of satisfactory or better.

The total cost of the bill is summarized as follows (including retroactive pay):

District of Columbia Metropolitan Police	\$3,058,902
District of Columbia Fire Department	1,620,780
Park Police (District of Columbia share)	102,073
Total cost to District of Columbia	4,781,755
Park Police (United States share)	123,386
White House Police	192,716
United States Secret Service	6,943
Total cost to United States	323,045
Total cost of bill	5,104,800

DIFFERENCES

S. 2769: OVERALL INCREASE OF 13.2 PERCENT

Entrance salary, private, class 1, \$4,600; 3 annual increases of \$280 each; 2 biennial increases of \$280 each; 3 longevity increases of \$280 each at 4-year intervals with a maximum salary of \$6,840 per annum after 19 years of service.

Total cost to District of Columbia	\$4,603,825
Total cost to United States	322,483

Total cost of bill 4,926,308

H. R. 13088: OVERALL INCREASE OF 13.8 PERCENT

Entrance salary, private, class 1, \$4,800; 2 annual increases of \$200 each; 1 annual increase of \$240 each; 2 biennial increases of \$280 each; 3 longevity increases of \$280 each at 4-year intervals with a maximum salary of \$6,840 per annum after 19 years of service.

Total cost to District of Columbia	\$4,781,755
Total cost to United States	323,045
Total cost of bill	
House	\$4,781,755
Senate	4,603,825
	177,930
	178,492

Mr. BIBLE. Mr. President, we think the proposed legislation is highly important. We also believe it is important to develop not only a strong and effective police force in the District of Columbia, but in addition to further strengthen our fine fire-fighting forces. We think the bill will go a long way toward attaining these objectives.

Mr. MORSE. Mr. President, will the Senator yield?

Mr. BIBLE. I yield to the Senator from Oregon.

Mr. MORSE. I wish to say, as a member of the Committee on the District of Columbia, that the Senator from Nevada is to be commended for the work he has done on the bill. It is a good bill. We never claim a bill such as this represents perfect legislation, but I think it is a very good bill. I hope it will pass.

Mr. BIBLE. I thank the Senator from Oregon.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. BIBLE. I yield to the Senator from Montana.

Mr. MANSFIELD. I, too, wish to compliment the distinguished Senator from Nevada, chairman of the Committee on the District of Columbia, for the fine work he has done in looking after the proposal for the long overdue pay increase for policemen, firemen, and others. I am delighted the committee has decided to accept the House bill, which is a better bill than the one which was reported by the Senate District Committee.

I had hoped to make a statement on the bill this afternoon, but in the interest of expediting action on the bill, I ask unanimous consent that the remarks I had intended to make may be incorporated in the RECORD at this point.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR MANSFIELD

It is indeed a pleasure to speak in behalf of H. R. 13008, a bill providing an increase in the salary schedule for the members of the Metropolitan Police force and Fire Department of the District of Columbia, the United States Park Police and the White House Police.

I introduced a bill in the last session of Congress because I felt policemen and firemen of the District of Columbia deserved a substantial pay increase. Such an increase has been long overdue and it is time their salaries were put in line with their duties on a comparable basis with other large cities. Provisions of this bill provide an increase of approximately 13.8 percent, which is somewhat less than the general increase of 25 percent originally proposed in my bill. I accept this compromise in view of budgetary problems and the necessity of getting a pay bill through this session. However, I still feel that the law enforcement personnel of the Nations Capital should have the best salaries possible, in fact I would even go so far as to say that they should be the best paid.

Washington's problems are varied and different from any other metropolitan area in

the country. This salary increase is sorely needed in order to insure a police force up to the full authorization strength of 2,508. To my knowledge this goal has never been reached because of the rigid physical and mental requirements and the undesirable elements of employment existing with this work.

Police and firemen of the District of Columbia have done a tremendous job despite the irregular work hours plus the extra time that must be spent in court without compensation and the limited opportunities for advancement and the general hazardous nature of their work.

While physical and mental requirements cannot and should not be lowered, compensation for the undesirable working hours and conditions must be met by increasing their salaries. I had hoped that the Congress would be able to approve a starting salary for a police private of at least \$5,200, but the salary agreed upon and the legislation that is being considered today is \$4,800, as compared with approximately \$4,200 at the present time.

The Civil Service Commission has advertised throughout the United States. The Police Department has used radio, television, and the newspapers as well as placing posters in the show windows of business houses in the District. Still the Department does not have its authorized personnel.

January 1958 figures indicate that there are 13 large cities in the United States that offer starting privates a better salary than Washington, D. C. I think we should be offering the best salaries. The law enforcement problems of the District are numerous and varied, and situations arise which few other metropolitan areas encounter.

In the past year we have all become alarmed at the increased amount of crime, thefts, assaults, muggings, and petty crimes. Crime has not reached reign-of-terror proportions, but there is altogether too much crime in the District. Statistics indicate that there is a definite trend in the amount of crime. There have been fewer offenses in 1957, but the trend in recent months gives sufficient cause for concern.

I would also like to point out that the increased number of auto registrations in the District and neighboring areas has materially contributed to the added duties of the Metropolitan Police.

If these many and varied law-enforcement problems in the District are to be met and controlled the Metropolitan Police Force must meet its strength quotas and must be manned with topnotch experienced men. The policemen and firemen are doing a tremendous job and they are putting in many hours of overtime, but we need more of them and they should receive adequate compensation for their hazardous work. S. 2769 will help to meet this deficiency in their pay schedule.

This bill also provides for in-grade increases in each category as an added incentive. This would be of great value in view of the limited opportunities for advancement in an organization of less than 3,000 in the instance of the police department. During this session we have devoted considerable time to the discussion of salary increases for many Federal employees and it would be a great injustice indeed if a pay increase is not granted to the policemen and firemen who serve the Nation's Capital.

Salaries are the major incentive in the recruitment of the employees in most any position and even more so in the case of a policeman and fireman. These people in the District of Columbia are not now getting an adequate salary commensurate with their duties. I urge that the Senate unanimously approve H. R. 13008 and I sincerely hope that our colleagues in the House will do the same prior to the adjournment of Congress.

The Chief of Police, Robert Murray; Chief of the District of Columbia Fire Department,

Millard H. Sutton, as well as the head of Park Police and White House Police, and their men are doing a terrific job and the enactment of this bill will help to insure that they will continue to do even a better job.

Mr. BIBLE. Mr. President, I know of the great interest of the distinguished junior Senator from Montana in this type of legislation. As a matter of fact, the Senate District of Columbia Committee thought so much of the bill the Senator from Montana had introduced that when the committee reported the bill, it was referred to as the Mansfield bill.

Mr. BEALL. Mr. President, will the Senator yield?

Mr. BIBLE. I yield to the Senator from Maryland.

Mr. BEALL. I am glad the Senator from Nevada referred to the fact that the bill which the committee reported was called the Mansfield bill by the committee, because the Senator from Montana had originated it, and we thought it only fair that we refer to it as his bill.

Mr. President, H. R. 13088 is a bill designed to give the members of the Metropolitan Police Force, the Fire Department of the District of Columbia, the United States Park Police, and the White House Police a raise in pay. The bill provides an average raise in pay of 13.8 percent for these departments. The additional costs for the first year to the taxpayers of the District of Columbia would be \$4,781,755; this includes retroactive costs to January 1, 1958, as well as additional retirement costs. The annual increase in costs to the District of Columbia will be \$3,276,425. A similar bill, S. 2769, has been reported to the floor of the Senate by a unanimous vote of the Senate Committee on the District of Columbia.

As the Congress requires itself to be the city council of the District of Columbia, and as Congress has never seen the advantages of granting home rule to the residents of the District of Columbia, in spite of the long advocacy of home rule for the residents of the District of Columbia by the junior Senator from Maryland, the burden of determining what laws should be in effect within the District of Columbia falls squarely on the District Committees of the Congress. We, the members of the Senate District Committee, spend a great amount of time and effort on each and every bill that comes before us. We are to the residents of the District of Columbia exactly the same as a city council in any other large city. We are as close to the problems that exist here as any one can possibly be. If one couples this awareness of District matters with objectivity, one can readily see why the District of Columbia Committees are proud of the work they do. When a legislator is objective and not subjective, excellent legislation will prevail. When one is charged with a duty to legislate for persons who have no elected representation, the duty becomes a sacred trust. In this regard, we the members of the committee, as the city council for the District of Columbia charged with the responsibility and duty of formulating legislation, bring before you, the Members of the Senate, a bill we consider to

Salary class and position	Service step 1 (mini- mum)	Service step 2	Service step 3	Service step 4	Service step 5	Service step 6	Service step 7	Service step 8	Service step 9	Service step 10	Service step 11	Service step 12	Service step 13
Class 8:													
Group B, master's degree.....	\$8,500	\$8,725	\$8,950	\$9,175	\$9,400	\$9,625	\$9,850	\$10,075	\$10,300				
Group C, master's degree plus 30 credit hours.....	8,700	8,925	9,150	9,375	9,600	9,825	10,050	10,275	10,500				
Professor, teachers college.													
Principal, junior high school.													
Principal, vocational high school.													
Principal, Americanization school.													
Class 9:													
Group B, master's degree.....	8,100	8,325	8,550	8,775	9,000	9,225	9,450	9,675	9,900				
Group C, master's degree plus 30 credit hours.....	8,300	8,525	8,750	8,975	9,200	9,425	9,650	9,875	10,100				
Director, Department of School Attendance and Work Permits.													
Supervising director.													
Principal, elementary school.													
Class 10:													
Group A, bachelor's degree.....	7,300	7,525	7,750	7,975	8,200	8,425	8,650	8,875	9,100				
Group B, master's degree.....	7,800	8,025	8,250	8,475	8,700	8,925	9,150	9,375	9,600				
Group C, master's degree plus 30 credit hours.....	8,000	8,225	8,450	8,675	8,900	9,125	9,350	9,575	9,800				
Assistant Director, Department of Food Services.													
Class 11:													
Group B, master's degree.....	7,400	7,625	7,850	8,075	8,300	8,525	8,750	8,975	9,200				
Group C, master's degree plus 30 credit hours.....	7,600	7,825	8,050	8,275	8,500	8,725	8,950	9,175	9,400				
Associate professor, teachers college.													
Class 12:													
Group B, master's degree.....	7,100	7,325	7,550	7,775	8,000	8,225	8,450	8,675	8,900				
Group C, master's degree plus 30 credit hours.....	7,300	7,525	7,750	7,975	8,200	8,425	8,650	8,875	9,100				
Assistant Director.													
Principal, Capitol Page School.													
Assistant principal, senior high school.													
Statistician.													
Class 13:													
Group B, master's degree.....	6,700	6,925	7,150	7,375	7,600	7,825	8,050	8,275	8,500				
Group C, master's degree plus 30 credit hours.....	6,900	7,125	7,350	7,575	7,800	8,025	8,250	8,475	8,700				
Assistant principal, vocational high school.													
Assistant principal, junior high school.													
Assistant principal, Americanization school.													
Class 14:													
Group B, master's degree.....	6,400	6,625	6,850	7,075	7,300	7,525	7,750	7,975	8,200				
Group C, master's degree plus 30 credit hours.....	6,600	6,825	7,050	7,275	7,500	7,725	7,950	8,175	8,400				
Assistant professor, teachers college.													
Chief librarian, teachers college.													
Assistant principal, elementary school.													
Assistant.													
Supervisor.													
Chief attendance officer.													
Clinical psychologist.													
Class 15:													
Group B, master's degree.....	5,700	5,925	6,150	6,375	6,600	6,825	7,050	7,275	7,500				
Group C, master's degree plus 30 credit hours.....	5,900	6,125	6,350	6,575	6,800	7,025	7,250	7,475	7,700				
Psychiatric social worker.													
Class 16:													
Group A, bachelor's degree.....	4,500	4,675	4,850	5,025	5,200	5,375	5,550	5,725	5,900	\$6,075	\$6,250	\$6,425	\$6,600
Group B, master's degree.....	5,000	5,175	5,350	5,525	5,700	5,875	6,050	6,225	6,400	6,575	6,750	6,925	7,100
Group C, master's degree plus 30 credit hours.....	5,200	5,375	5,550	5,725	5,900	6,075	6,250	6,425	6,600	6,775	6,950	7,125	7,300
Attendance officer.													
Census supervisor.													
Child labor inspector.													
Counselor.													
Instructor, teachers college.													
Librarian.													
Research assistant.													
School psychologist.													
School social worker.													
Teacher, elementary and secondary schools.													

And, in lieu thereof, to insert:

Salary class and position	Service step 1 (mini- mum)	Service step 2	Service step 3	Service step 4	Service step 5	Service step 6	Service step 7	Service step 8	Service step 9	Service step 10	Service step 11	Service step 12	Service step 13
Class 1: Superintendent of schools.....	\$19,000												
Class 2: Deputy superintendent.....	15,100	\$15,350	\$15,600	\$15,850	\$16,100	\$16,350	\$16,600	\$16,850	\$17,100				
Class 3: Assistant superintendent; president teachers college.....	13,200	13,450	13,700	13,950	14,200	14,450	14,700	14,950	15,200				
Class 4: Dean, teachers college.....	12,100	12,350	12,600	12,850	13,100	13,350	13,600	13,850	14,100				
Class 5:													
Group B, master's degree.....	10,500	10,750	11,000	11,250	11,500	11,750	12,000	12,250	12,500				
Group C, master's degree plus 30 credit hours.....	10,700	10,950	11,200	11,450	11,700	11,950	12,200	12,450	12,700				
Dean of students, teachers college.													
Executive assistant to superintendent.													
Psychiatrist.													
Class 6:													
Group A, bachelor's degree.....	9,700	9,950	10,200	10,450	10,700	10,950	11,200	11,450	11,700				
Group B, master's degree.....	10,200	10,450	10,700	10,950	11,200	11,450	11,700	11,950	12,200				
Group C, master's degree plus 30 credit hours.....	10,400	10,650	10,900	11,150	11,400	11,650	11,900	12,150	12,400				
Director, Department of Food Services.													
Class 7:													
Group B, master's degree.....	9,400	9,650	9,900	10,150	10,400	10,650	10,900	11,150	11,400				
Group C, master's degree plus 30 credit hours.....	9,600	9,850	10,100	10,350	10,600	10,850	11,100	11,350	11,600				
Administrative assistant to deputy superintendent.													
Director.													
Principal, senior high school.													
Chief examiner.													
Registrar, teachers college.													
Principal, vocational high school.													
Class 8:													
Group B, master's degree.....	9,000	9,250	9,500	9,750	10,000	10,250	10,500	10,750	11,000				
Group C, master's degree plus 30 credit hours.....	9,200	9,450	9,700	9,950	10,200	10,450	10,700	10,950	11,200				
Professor, teachers college.													
Principal, junior high school.													
Principal, Americanization School.													
Principal, Capitol Page School.													
Supervising director.													

Salary class and position	Service step 1 (minimum)	Service step 2	Service step 3	Service step 4	Service step 5	Service step 6	Service step 7	Service step 8	Service step 9	Service step 10	Service step 11	Service step 12	Service step 13
Class 9:													
Group B, master's degree.....	\$8,600	\$8,850	\$9,100	\$9,350	\$9,600	\$9,850	\$10,100	\$10,350	\$10,600				
Group C, master's degree plus 30 credit hours.....	8,800	9,050	9,300	9,550	9,800	10,050	10,300	10,550	10,800				
Director, Department of School Attendance and Work Permits.													
Principal, elementary school.													
Assistant principal, senior high school.													
Assistant principal, vocational high school.													
Class 10:													
Group A, bachelor's degree.....	7,700	7,950	8,200	8,450	8,700	8,950	9,200	9,450	9,700				
Group B, master's degree.....	8,200	8,450	8,700	8,950	9,200	9,450	9,700	9,950	10,200				
Group C, master's degree plus 30 credit hours.....	8,400	8,650	8,900	9,150	9,400	9,650	9,900	10,150	10,400				
Assistant director, Department of Food Services.													
Assistant principal, junior high school.													
Assistant principal, Americanization School.													
Class 11:													
Group B, master's degree.....	7,800	8,050	8,300	8,550	8,800	9,050	9,300	9,550	9,800				
Group C, master's degree plus 30 credit hours.....	8,000	8,250	8,500	8,750	9,000	9,250	9,500	9,750	10,000				
Associate professor, teachers college.													
Assistant principal, elementary school.													
Class 12:													
Group B, master's degree.....	7,500	7,750	8,000	8,250	8,500	8,750	9,000	9,250	9,500				
Group C, master's degree plus 30 credit hours.....	7,700	7,950	8,200	8,450	8,700	8,950	9,200	9,450	9,700				
Assistant director.													
Statistician.													
Class 13:													
Group B, master's degree.....	6,700	6,950	7,200	7,450	7,700	7,950	8,200	8,450	8,700				
Group C, master's degree plus 30 credit hours.....	6,900	7,150	7,400	7,650	7,900	8,150	8,400	8,650	8,900				
Assistant professor, teachers college.													
Chief librarian, teachers college.													
Assistant.													
Supervisor.													
Chief attendance officer.													
Clinical psychologist.													
Class 14:													
Group B, master's degree.....	6,000	6,250	6,500	6,750	7,000	7,250	7,500	7,750	8,000				
Group C, master's degree plus 30 credit hours.....	6,200	6,450	6,700	6,950	7,200	7,450	7,700	7,950	8,200				
Psychiatric social worker.													
Class 15:													
Group A, bachelor's degree.....	4,500	4,800	5,100	5,300	5,500	5,700	5,900	6,100	6,300	\$6,500	\$6,700	\$6,900	\$7,100
Group B, master's degree.....	5,000	5,300	5,600	5,800	6,000	6,200	6,400	6,600	6,800	7,000	7,200	7,400	7,600
Group C, master's degree plus 30 credit hours.....	5,200	5,500	5,800	6,000	6,200	6,400	6,600	6,800	7,000	7,200	7,400	7,600	7,800
Attendance officer.													
Census supervisor.													
Child labor inspector.													
Counselor.													
Instructor, teachers college.													
Librarian.													
Research assistant.													
School psychologist.													
School social worker.													
Teacher, elementary and secondary schools.													

On page 7, line 7, after the word "class", to strike out "16" and insert "15"; in line 11, after the word "class", to strike out "16" and insert "15"; in line 18, after the word "class", to strike out "16" and insert "15"; in line 19, after the word "education", to strike out "program" and insert "program"; on page 8, line 22, after the word "and", to strike out "14" and insert "13"; in the second table, on page 9, entitled "Title and Class of Position on January 1, 1958", after "Principal, vocational high school", to strike out "8" and insert "7"; after "Supervising director", to strike out "9" and insert "8"; after "Principal, Capitol Page School", to strike out "12" and insert "8"; after "Assistant principal, senior high school", to strike out "12" and insert "9"; after "Assistant professor, teachers college", to strike out "14" and insert "13"; after "Chief librarian, teachers college", to strike out "14" and insert "13"; after "Assistant principal, vocational high school", to strike out "13" and insert "9"; after "Assistant principal, junior high school", to strike out "13" and insert "10"; after "Assistant principal, Americanization school", to strike out "13" and insert "10"; after "Assistant principal, elementary school", to strike out "14" and insert "11"; after "Assistant", to strike out "14" and insert "13"; after "Chief attendance officer", to strike out "14" and insert "13"; after "Supervisor", to strike out "14" and insert

"13"; after "Clinical psychologist", to strike out "14" and insert "13"; after "Instructor, teachers college", to strike out "16" and insert "15"; after "Librarian", to strike out "16" and insert "15"; after "Teacher, elementary and secondary school", where it appears the first time, to strike out "16" and insert "15"; after "Teacher, elementary and secondary school", where it appears the second time, to strike out "16" and insert "15"; after "Teacher, elementary and secondary school", where it appears the third time, to strike out "16" and insert "15"; after "Teacher, elementary and secondary school", where it appears the fourth time, to strike out "16" and insert "15"; after "Librarian", to strike out "16" and insert "15"; after "Counselor", to strike out "16" and insert "15"; after "Research assistant", to strike out "16" and insert "15"; after "School psychologist", to strike out "16" and insert "15"; after "School social worker", to strike out "16" and insert "15"; after "Attendance officer", to strike out "16" and insert "15"; after "Child labor inspector", to strike out "16" and insert "15"; after "Census supervisor", to strike out "16" and insert "15"; on page 10, line 3, after the word "of", where it appears the first time, to strike out "Commissioners" and insert "Education"; in line 4, after the word "of", to strike out "Education" and insert "Commissioners"; at the beginning of line 12, to strike out "Edu-

cation" and insert "Commissioners"; on page 12, line 24, after the word "Act", to strike out the comma and "and shall advance to the next higher service step every two years thereafter until the highest service step for his salary class is reached"; on page 14, line 6, after the word "class", to strike out "16" and insert "15"; on page 15, line 2, after the word "class", to strike out "14" and insert "13"; in line 10, after the word "to", to strike out "15" and insert "14"; in line 15, after the word "to", to strike out "16" and insert "15"; on page 16, after line 13, to strike out:

Classification	Step 1	Step 2	Step 3
	Per diem		
SUMMER SCHOOLS (REGULAR)			
Teacher, elementary and secondary schools.....	\$16.37	\$18.38	\$20.39
Instructor, Teachers College.			
Assistant professor, teachers college.....	20.33	21.79	24.10
Assistant principal, senior high school.....	20.46	22.97	25.49
Associate professor, teachers college.....	22.67	24.63	27.25
Supervising director.....	22.92	25.73	28.55
Principal, elementary school.			
Principal, junior high school.	23.74	26.65	29.56
Professor, teachers college.....	25.67	27.48	30.39
Principal, senior high school.	24.55	27.57	30.58
VETERANS SUMMER HIGH SCHOOL CENTERS			
Teacher.....	\$24.55	\$27.57	\$30.58

Classification	Step 1	Step 2	Step 3
Per period			
Teacher.....	\$4.69	\$5.01	\$5.34
Assistant principal, secondary school.....	5.30	5.95	6.60
Principal, elementary school.....	5.94	6.66	7.39
Principal, secondary school.....	6.36	7.14	7.92

Classification	Step 1	Step 2	Step 3
Per period			
Teacher.....	\$4.69	\$5.05	\$5.65
Principal, elementary school; assistant principal, secondary school.....	6.19	7.02	7.85
Principal, secondary school.....	6.67	7.57	8.47

Science and Tactics, Music, Science, Trade and Industrial Education, and Health, Physical Education, Athletics, and Safety; except that in the case of persons reassigned pursuant to this section, nothing contained herein shall be construed to decrease the rate of compensation that any such person is receiving on the effective date of this section. If such person is placed in a lower salary class and the present salary of the incumbent falls between two step rates for the newly assigned class, he shall receive the higher of such rates. Whenever a department is established hereafter in the public school system of the District of Columbia there shall be but one person in charge of such department.

And, on page 20, at the beginning of line 16, to change the section number from "3" to "4"; so as to make the bill read:

Be it enacted, etc., That the act entitled "An act to fix and regulate the salaries of teachers, school officers, and other employees of the Board of Education of the District of Columbia, and for other purposes," approved August 5, 1955 (69 Stat. 521, ch. 569), is amended as follows:

Section 1 is amended by striking everything after the first sentence and inserting in lieu thereof the following salary schedules:

And, in lieu thereof, to insert:

Classification	Step 1	Step 2	Step 3
Per diem			
SUMMER SCHOOLS (REGULAR)			
Teacher, elementary and secondary schools; instructor, teachers college.....	\$18.24	\$20.68	\$23.11
Assistant professor, teachers college.....	21.68	24.47	27.28
Associate professor, teachers college.....	24.50	27.66	30.84
Principal, elementary school; assistant principal, senior high school.....	25.35	28.75	32.12
Supervising director, principal, junior high school.....	26.45	29.99	33.51
Professor, teachers college.....	27.33	30.86	34.39
Principal, senior high school.....	27.36	31.02	34.66
Per diem			
VETERANS SUMMER HIGH SCHOOL CENTERS			
Teacher.....	\$27.36	\$31.02	\$34.66

On page 18, line 6, after the word "class", to strike out "16" and insert "15"; in line 8, after the word "class", to strike out "14" and insert "13"; in line 16, after the word "thereof", to strike out "7-15" and insert "7-14"; in line 17, after the word "inserting", to insert "after the word 'act'"; in line 25, after the word "class", to strike out "14" and insert "13"; on page 19, line 5, after the word "thereof", to strike out "16" and insert "15"; after line 22, to insert a new section, as follows:

SEC. 3. From and after 10 days following the approval of this act there shall be only one person in charge of the following departments in the public school system of the District of Columbia: Art, Business Education, English, Foreign Languages, Guidance and Placement, History, Home Economics, Industrial Arts, Mathematics, Military

Salary class and position	Service step 1 (minimum)	Service step 2	Service step 3	Service step 4	Service step 5	Service step 6	Service step 7	Service step 8	Service step 9	Service step 10	Service step 11	Service step 12	Service step 13
Class 1: Superintendent of schools.....	\$19,000												
Class 2: Deputy superintendent.....	15,100	\$15,350	\$15,600	\$15,850	\$16,100	\$16,350	\$16,600	\$16,850	\$17,100				
Class 3: Assistant superintendent; president, teachers college.....	13,200	13,450	13,700	13,950	14,200	14,450	14,700	14,950	15,200				
Class 4: Dean, teachers college.....	12,100	12,350	12,600	12,850	13,100	13,350	13,600	13,850	14,100				
Class 5:													
Group B, master's degree.....	10,500	10,750	11,000	11,250	11,500	11,750	12,000	12,250	12,500				
Group C, master's degree plus 30 credit hours.....	10,700	10,950	11,200	11,450	11,700	11,950	12,200	12,450	12,700				
Dean of students, teachers college.....													
Executive assistant to superintendent.....													
Psychiatrist.....													
Class 6:													
Group A, bachelor's degree.....	9,700	9,950	10,200	10,450	10,700	10,950	11,200	11,450	11,700				
Group B, master's degree.....	10,200	10,450	10,700	10,950	11,200	11,450	11,700	11,950	12,200				
Group C, master's degree plus 30 credit hours.....	10,400	10,650	10,900	11,150	11,400	11,650	11,900	12,150	12,400				
Director, Department of Food Services.....													
Class 7:													
Group B, master's degree.....	9,400	9,650	9,900	10,150	10,400	10,650	10,900	11,150	11,400				
Group C, master's degree plus 30 credit hours.....	9,600	9,850	10,100	10,350	10,600	10,850	11,100	11,350	11,600				
Administrative assistant to deputy superintendent.....													
Director.....													
Principal, senior high school.....													
Chief examiner.....													
Registrar, teachers college.....													
Principal, vocational high school.....													
Class 8:													
Group B, master's degree.....	9,000	9,250	9,500	9,750	10,000	10,250	10,500	10,750	11,000				
Group C, master's degree plus 30 credit hours.....	9,200	9,450	9,700	9,950	10,200	10,450	10,700	10,950	11,200				
Professor, teachers college.....													
Principal, junior high school.....													
Principal, Americanization School.....													
Principal, Capitol Page School.....													
Supervising director.....													
Class 9:													
Group B, master's degree.....	8,600	8,850	9,100	9,350	9,600	9,850	10,100	10,350	10,600				
Group C, master's degree plus 30 credit hours.....	8,800	9,050	9,300	9,550	9,800	10,050	10,300	10,550	10,800				
Director, Department of School Attendance and Work Permits.....													
Principal, elementary school.....													
Assistant principal, senior high school.....													
Assistant principal, vocational high school.....													
Class 10:													
Group A, bachelor's degree.....	7,700	7,950	8,200	8,450	8,700	8,950	9,200	9,450	9,700				
Group B, master's degree.....	8,200	8,450	8,700	8,950	9,200	9,450	9,700	9,950	10,200				
Group C, master's degree plus 30 credit hours.....	8,400	8,650	8,900	9,150	9,400	9,650	9,900	10,150	10,400				
Assistant director, Department of Food Services.....													
Assistant principal, junior high school.....													
Assistant principal, Americanization School.....													
Class 11:													
Group B, master's degree.....	7,800	8,050	8,300	8,550	8,800	9,050	9,300	9,550	9,800				
Group C, master's degree plus 30 credit hours.....	8,000	8,250	8,500	8,750	9,000	9,250	9,500	9,750	10,000				
Associate professor, teachers college.....													
Assistant principal, elementary school.....													
Class 12:													
Group B, master's degree.....	7,500	7,750	8,000	8,250	8,500	8,750	9,000	9,250	9,500				
Group C, master's degree plus 30 credit hours.....	7,700	7,950	8,200	8,450	8,700	8,950	9,200	9,450	9,700				
Assistant director.....													
Statistician.....													
Class 13:													
Group B, master's degree.....	6,700	6,950	7,200	7,450	7,700	7,950	8,200	8,450	8,700				

Salary class and position	Service step 1 (minimum)	Service step 2	Service step 3	Service step 4	Service step 5	Service step 6	Service step 7	Service step 8	Service step 9	Service step 10	Service step 11	Service step 12	Service step 13
Class 13—Continued													
Group C, master's degree plus 30 credit hours.....	\$6,900	\$7,150	\$7,400	\$7,650	\$7,900	\$8,150	\$8,400	\$8,650	\$8,900				
Assistant professor, teachers college.													
Chief librarian, teachers college.													
Assistant.													
Supervisor.													
Chief attendance officer.													
Clinical psychologist.													
Class 14:													
Group B, master's degree.....	6,000	6,250	6,500	6,750	7,000	7,250	7,500	7,750	8,000				
Group C, master's degree plus 30 credit hours.....	6,200	6,450	6,700	6,950	7,200	7,450	7,700	7,950	8,200				
Psychiatric social worker.													
Class 15:													
Group A, bachelor's degree.....	4,500	4,800	5,100	5,300	5,500	5,700	5,900	6,100	6,300	\$6,500	\$6,700	\$6,900	\$7,100
Group B, master's degree.....	5,000	5,300	5,600	5,800	6,000	6,200	6,400	6,600	6,800	7,000	7,200	7,400	7,600
Group C, master's degree plus 30 credit hours.....	5,200	5,500	5,800	6,000	6,200	6,400	6,600	6,800	7,000	7,200	7,400	7,600	7,800
Attendance officer.													
Census supervisor.													
Child labor inspector.													
Counselor.													
Instructor, teachers college.													
Librarian.													
Research assistant.													
School psychologist.													
School social worker.													
Teacher, elementary and secondary schools.													

Section 2, subsection (a) is amended by striking from the third sentence "June 30, 1955" and inserting in lieu thereof "December 31, 1957"; by striking from the fourth sentence all that follows the words "master's degree" and inserting in lieu thereof, "except that a person possessing a bachelor's degree may be appointed on probationary or permanent status as Director of Food Services, Assistant Director of Food Services, Supervising Director of Military Science and Tactics, teacher of military science and tactics, teacher of driver training, shop teacher in the vocational education program, teacher in the junior high schools, counselor in the vocational high schools, counselor in the junior high schools, teacher in the elementary schools, school social worker, research assistant, attendance officer, child labor inspector, or census supervisor, and a person not possessing a bachelor's degree may be appointed on probationary or permanent status as shop teacher in the vocational education program if he submits acceptable evidence of equivalent training and experience in accordance with the rules of the Board"; and by striking from the fifth sentence "June 30, 1955" and inserting in lieu thereof "December 31, 1957".

Section 2, subsection (b) is amended to read as follows: "Notwithstanding any provision of this act the Board is authorized, on the written recommendation of the Superintendent of Schools, to appoint or promote shop teachers in the vocational education program to salary class 15, group B, without a master's degree if they submit acceptable evidence of equivalent training and experience in accordance with the rules of the Board, and to appoint or promote such teachers to salary class 15, group C, without a master's degree if they submit acceptable evidence of equivalent training and experience in accordance with the rules of the Board, plus 30 credit hours. The Board is further authorized, on the written recommendation of the Superintendent of Schools, to appoint or promote vocational shop teachers with the training and experience required for placement in salary class 15, group B, to administrative or supervisory positions in the vocational education program."

Section 2, subsection (c) is amended by striking paragraph (1) and inserting in lieu thereof the following: "(1) The term 'master's degree' means a master's degree granted in course by an accredited higher educational institution"; and by striking the first sentence in paragraph (2) and inserting in lieu thereof the following: "The term 'plus 30 credit hours' means the equivalent of not

less than 30 graduate semester hours in academic, vocational, or professional courses beyond a master's degree, representing a definite educational program satisfactory to the Board, except that in the case of a shop teacher in the vocational education program the 30 semester hours need not be graduate semester hours."

Section 4 is amended to read as follows: "Each teacher, school officer, and other employee in the service of the Board on January 1, 1958, who occupies a position held by him on December 31, 1957, under the provisions of this act shall be placed in a salary

class covered by section 1 of this act as indicated at the end of this section. Any employee in group A, B, or C of his salary class on December 31, 1957, shall be assigned to the same letter group of the class to which he is transferred on January 1, 1958, except that an employee in group B on December 31, 1957, who possesses a master's degree or its equivalent as determined by the Board in accordance with subsection (b) of section 2 of this act, plus 30 credit hours, shall be transferred to group C. Teachers college employees in salary classes 8, 11, and 13 on January 1, 1958, shall be assigned to group C.

TITLE AND CLASS OF POSITION ON DECEMBER 31, 1957		TITLE AND CLASS OF POSITION ON JANUARY 1, 1958	
Title	Class	Title	Class
Superintendent of schools.....	1	Superintendent of schools.....	1
Deputy superintendent.....	2	Deputy superintendent.....	2
Assistant superintendent.....	3	Assistant superintendent.....	3
President, teachers college.....	3	President, teachers college.....	3
Dean, teachers college.....	4	Dean, teachers college.....	4
Executive assistant to superintendent.....	5	Executive assistant to superintendent.....	5
Dean of students, teachers college.....	5	Dean of students, teachers college.....	5
Director, Department of Food Services.....	6	Director, Department of Food Services.....	6
Director.....	7	Director.....	7
Administrative assistant to deputy superintendent.....	7	Administrative assistant to deputy superintendent.....	7
Registrar, teachers college.....	7	Registrar, teachers college.....	7
Chief examiner.....	7	Chief examiner.....	7
Principal, senior high school.....	7	Principal, senior high school.....	7
Professor, teachers college.....	8	Professor, teachers college.....	8
Principal, vocational high school.....	9	Principal, vocational high school.....	7
Principal, junior high school.....	9	Principal, junior high school.....	8
Principal, Americanization school.....	9	Principal, Americanization school.....	8
Supervising director.....	10	Supervising director.....	8
Director, Department of School Attendance and Work Permits.....	10	Director, Department of School Attendance and Work Permits.....	9
Principal, elementary school.....	10	Principal, elementary school.....	9
Principal, laboratory school.....	10	Principal, elementary school.....	9
Associate professor, teachers college.....	11	Associate professor, teachers college.....	11
Assistant director, Department of Food Services.....	12	Assistant director, Department of Food Services.....	10
Assistant director.....	13	Assistant director.....	12
Principal, Capitol Page School.....	13	Principal, Capitol Page School.....	8
Assistant principal, senior high school.....	13	Assistant principal, senior high school.....	9
Statistician.....	13	Statistician.....	12
Assistant professor, teachers college.....	14	Assistant professor, teachers college.....	13
Chief librarian, teachers college.....	14	Chief librarian, teachers college.....	13
Assistant principal, vocational high school.....	15	Assistant principal, vocational high school.....	9
Assistant principal, junior high school.....	15	Assistant principal, junior high school.....	10
Assistant principal, Americanization school.....	15	Assistant principal, Americanization school.....	10
Assistant principal, elementary school.....	16	Assistant principal, elementary school.....	11
Assistant.....	17	Assistant.....	13
Chief attendance officer.....	17	Chief attendance officer.....	13
Supervisor.....	17	Supervisor.....	13
Clinical psychologist.....	17	Clinical psychologist.....	13

"TITLE AND CLASS OF POSITION ON
DECEMBER 31, 1957—Continued

Title	Class
Instructor, teachers college.....	18
Librarian, teachers college.....	18
Teacher, senior high school.....	18
Teacher, vocational high school.....	18
Teacher, junior high school.....	18
Teacher, elementary school.....	18
School librarian.....	18
Counselor.....	18
Research assistant.....	18
School psychologist.....	18
School social worker.....	18
Attendance officer.....	19
Child labor inspector.....	19
Census supervisor.....	19

TITLE AND CLASS OF POSITION ON
JANUARY 1, 1958—Continued

Title	Class
Instructor, teachers college.....	15
Librarian.....	15
Teacher, elementary and secondary school.....	15
Teacher, elementary and secondary school.....	15
Teacher, elementary and secondary school.....	15
Teacher, elementary and secondary school.....	15
Librarian.....	15
Counselor.....	15
Research assistant.....	15
School psychologist.....	15
School social worker.....	15
Attendance officer.....	15
Child labor inspector.....	15
Census supervisor.....	15"

Section 5, subsection (b) is amended by adding the following sentences at the end of the subsection: "The Board of Education of the District of Columbia, with the cooperation of the Board of Commissioners of the District of Columbia, is authorized to make a study of the classification of the positions covered under this act for the purpose of determining what classification adjustments may be necessary or desirable to provide a classification alignment based on the difficulty, responsibility, and qualification requirements of the positions and to take such appropriate corrective action as is concurred in by the Board of Commissioners: *Provided*, That any such adjustments shall be made within the classes established by this act: *Provided further*, That no adjustment resulting from this study shall decrease the existing rate of compensation of any present employee; but when a position becomes vacant any subsequent appointee to such position shall be compensated in accordance with the rate of pay determined to be applicable to such position. If a position is placed in a lower salary class and the present salary of the incumbent falls between two step rates for the newly assigned class, he shall receive the higher of such rates. If a position is placed in a higher salary class, placement for salary purposes shall be made in accordance with section 11 of this act."

Section 6 is amended to read as follows:

"(a) As of January 1, 1958, each employee assigned to a salary class in accordance with section 1 and section 4 of this act shall be assigned to the same numerical service step on the schedule for his class, or class and group, under this act as he occupied on December 31, 1957. On July 1, 1958, each permanent employee in the service of the Board who on June 30, 1958, was in such service but was not yet at the highest numerical service step for his salary class, or class and group, in section 1 of this act shall be assigned to the numerical service step for his class, or class and group, in section 1 of this act next above the step occupied by him on June 30, 1958. As soon as possible thereafter, and not later than June 30, 1959, the Board shall reevaluate the previous service of each probationary and permanent employee under this act who served in the public schools of the District of Columbia prior to July 1, 1955, who also was in service in such schools on July 1, 1958, and who on July 1, 1958, was not assigned to the highest numerical service step of the salary schedule for his class, or class and group, to determine the number of years of service with which the employee shall be newly credited for the purpose of salary placement. All such employees shall be given placement credit for previous service in accordance with the provisions of this act governing the placement, advancement, and promotion of

employees who are newly appointed, reappointed or reassigned to positions in the District of Columbia public schools.

"(b) As soon as such reevaluation is completed for all employees involved, each such employee shall be assigned to the numerical service step for his salary class, or class and group, under this act next above the step corresponding to the number of his years of creditable service rendered prior to July 1, 1958, as determined by such reevaluation, but no employee shall receive a salary above the top step for his class, or class and group, or below the step already occupied by him. If such reevaluation places the employee on a higher numerical service step than the one already occupied by him, he shall receive the full annual salary at the higher step for the year beginning July 1, 1958. Beginning on July 1, 1959, each permanent employee who has not yet reached the highest service step for his salary class, or class and group, under this act shall advance one such step each year until he reaches the highest step for his class, or class and group.

"(c) The superintendent of schools, salary class 1, shall be assigned as of the date of his appointment as superintendent to the first salary step provided for that position in section 1 of this act.

"(d) Any permanent employee serving in a position which is not covered by this act but which may later be established under section 5 of this act shall be given service credit for the purpose of salary placement under this act equivalent to the number of years of satisfactory service rendered within the school system in the position then occupied by the employee, and shall be assigned to the numerical service step on the schedule for his class, or class and group, under this act next above the numerical service step corresponding to his years of creditable service in such position. If the employee has already attained a service step in such position which is numerically as high or higher than the top service step provided for his salary class, or class and group, under this act, he shall be assigned to the highest service step provided for his class, or class and group, under this act."

Section 7, subsection (a) is amended to read as follows: "Each employee who is newly appointed or reappointed to a position under section 1 of this act, except the superintendent of schools, shall be assigned to the service step numbered next above the number of years of service with which he is credited for the purpose of salary placement. The Board, on the written recommendation of the superintendent of schools, is authorized to evaluate the previous experience of each such employee to determine the number of years with which he may be so credited. Employees newly appointed, reappointed, or reassigned to any position in

salary class 15 shall receive 1 year of such placement credit for each year of satisfactory service, not in excess of 5 years, in the same type of position regardless of school level, in an educational system or institution of recognized standing outside the District of Columbia public schools, as determined by the Board: *Provided*, That employees appointed to the positions of attendance officer, census supervisor, child labor inspector, counselor, librarian, research assistant, school psychologist, and school social worker shall also receive 1 year of placement credit for each year of satisfactory service in a teaching position, but not in excess of 5 years for all types of service rendered outside the school system, and persons appointed to the position of shop teacher in the vocational education program shall receive 1 year of placement credit for each year of approved experience in the trades, as determined by the Board, but not in excess of 5 years for any combination of trade experience and educational service outside the school system. Employees newly appointed or reappointed to the positions of chief librarian and assistant professor (class 13), associate professor (class 11), and professor (class 8) shall receive 1 year of placement credit for each year of satisfactory service, not in excess of 5 years, in a position of the same or higher rank in a college or university of recognized standing outside the District of Columbia public schools, as determined by the Board. Employees newly appointed, reappointed, or reassigned to any position in salary classes 1 to 14 inclusive, except the positions of chief librarian and assistant professor, associate professor, and professor, shall receive no placement credit for educational service or trade experience outside the District of Columbia public schools. Employees reappointed or reassigned to positions in classes 2 to 15 inclusive shall receive 1 year of placement credit for each year of satisfactory service in the same salary class or in a position of equivalent or higher rank within the District of Columbia public schools, except that no employee shall receive more than 5 years of placement credit for previous service in any combination of the following: (1) service rendered outside the public school system, (2) service rendered as a temporary employee within such system, and (3) service rendered prior to reappointment after resignation from such system. Credit for service rendered either inside or outside the District of Columbia public schools shall be effective on the date of the regular Board meeting immediately preceding the date of approval by the Board or on the date of appointment, whichever is later."

Section 13 is amended to read as follows:

"(a) The Board is hereby authorized to conduct as parts of the public school system, summer schools, evening schools, and an Americanization School, under and within appropriations made by Congress. The pay rates for teachers, officers, and other educational employees in the summer and evening schools shall be as follows:

"Classification	Step 1	Step 2	Step 3
	Per diem		
SUMMER SCHOOLS (REGULAR)			
Teacher, elementary and secondary schools; instructor, teachers college.....	\$18.24	\$20.68	\$23.11
Assistant professor, teachers college.....	21.68	24.47	27.28
Associate professor, teachers college.....	24.50	27.66	30.84
Principal, elementary school; assistant principal, senior high school.....	25.35	28.75	32.12
Supervising director; principal, junior high school.....	26.45	29.99	33.51
Professor, teachers college.....	27.33	30.86	34.39
Principal, senior high school.....	27.36	31.02	34.66

Classification	Step 1	Step 2	Step 3
Per diem			
VETERANS SUMMER HIGH SCHOOL CENTERS			
Teacher.....	\$27.36	\$31.02	\$34.66
Per period			
EVENING SCHOOLS			
Teacher.....	\$4.69	\$5.05	\$5.65
Principal, elementary school; assistant principal, secondary school.....	6.19	7.02	7.85
Principal, secondary school.....	6.67	7.57	8.47

"(b) Beginning on January 1, 1958, each teacher, officer, and other educational employee serving in the summer or evening schools shall be paid at the rate specified for his position under step 1 of the schedule in subsection (a) of this section while serving his first, second, and third years in such position; he shall be paid at the rate specified under step 2 while serving his fourth, fifth, and sixth years in such position; and he shall be paid at the rate specified in step 3 while serving his seventh and any subsequent years in such position.

"(c) When an employee covered by the pay schedule in subsection (a) of this section is promoted to a higher paid position in this same schedule, he shall be paid during his first 3 years of service in such position at the scheduled rate for such position which is next above the rate he would have received if continued in his previous position; he shall be paid at the next higher scheduled rate for his position during his second 3 years of service in such position; and he shall be paid at the scheduled rate above that (if any) during his subsequent years in such position."

Section 14 is amended to read as follows: "Each employee assigned to salary class 15 in the schedule provided in section 1 of this act, each chief librarian and each assistant professor in salary class 13, each associate professor in class 11, and each professor in class 8 shall be classified as a teacher for payroll purposes and his annual salary shall be paid in 10 monthly installments in accordance with existing law."

Section 15 is amended by striking from the first sentence the phrase "the effective date of this act" and inserting in lieu thereof "January 1, 1958"; by striking from the first sentence "7-17" and inserting in lieu thereof "7-14"; and by striking the second sentence and inserting after the word "act" at the end of the first sentence "except the following: Chief examiner, administrative assistant to deputy superintendent, and registrar, teachers college, in class 7; professor, in class 8; Director, Department of School Attendance and Work Permits, in class 9; Assistant Director, Department of Food Services, in class 10; associate professor, in class 11; statistics in class 12; assistant professor and chief librarian, in class 13."

Section 16 is amended by striking the phrase "the effective date of this act" and inserting in lieu thereof "January 1, 1958"; by striking the phrase "18, and the position of attendance officer, salary class 19" and inserting in lieu thereof "15."

Sec. 2. Retroactive compensation or salary shall be paid by reason of this act only in the case of an individual in the service of the Board of Education of the District of Columbia (including service in the Armed Forces of the United States) on the date of enactment of this act, except that such retroactive compensation or salary shall be paid (1) to any employee covered in section 1 of this act who retired during the period beginning on the day following the first day of the first pay period which began on or after January 1, 1958, and ending on the date of enact-

ment of this act for services rendered during such period and (2) in accordance with the provisions of the act of August 3, 1950 (Public Law 636, 81st Cong.), as amended, for services rendered during the period beginning on the first day of the first pay period which began on or after January 1, 1958, and ending on the date of enactment of this act by any such employee who dies during such period.

SEC. 3. From and after 10 days following the approval of this act there shall be only 1 person in charge of the following departments in the public school system of the District of Columbia: Art, business education, English, foreign languages, guidance and placement, history, home economics, industrial arts, mathematics, military science and tactics, music, science, trade and industrial education, and health, physical education, athletics, and safety; except that in the case of persons reassigned pursuant to this section, nothing contained herein shall be construed to decrease the rate of compensation that any such person is receiving on the effective date of this section. If such person is placed in a lower salary class and the present salary of the incumbent falls between two step rates for the newly assigned class, he shall receive the higher of such rates. Whenever a department is established hereafter in the public school system of the District of Columbia there shall be but one person in charge of such department.

SEC. 4. (a) The effective date of this act shall be January 1, 1958.

(b) For the purpose of determining the amount of insurance for which an individual is eligible under the Federal Employees' Group Life Insurance Act of 1954, as amended, all changes in rates of compensation or salary which result from the enactment of this act shall be held and considered to be effective as of the first day of the first pay period which begins on or after the date of such enactment.

Mr. BIBLE. Mr. President, I ask unanimous consent that the committee amendments be agreed to en bloc, and that the bill, as amended, be considered as an original text for the purpose of amendments.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Nevada? The Chair hears none, and it is so ordered.

Mr. PROXMIER. Mr. President, I warmly support the bill in its present form. I should like to say first that, the one incontrovertible weakness in American life reflects a great moral weakness, a serious economic weakness, a tragic social weakness and a dangerous military weakness. I refer to the tragic failure of us the American people to educate our children adequately. We have let our educational system slip. We, the richest people in the world, think that we cannot afford to build adequate schools. More important, we will not pay our teachers adequate salaries. This need for higher teachers' salaries is the problem the Senate is acting on right now, this minute on the bill before us.

Sputnik I was launched in October of last year, 9 months ago. One might expect that this dramatic confirmation of the success of Russia's educational system would have prompted us into decisive, constructive action. Well, with successive sputniks we have responded with speeches pleading for better education; but with no action. The teachers are still tragically underpaid—the problem remains.

We are now considering S. 3957, a bill which would increase the pay of the District of Columbia teachers by an average of 21 percent. Mr. President, the District of Columbia is a very small part of the national problem, but it certainly is a fine place for the Congress of the United States to demonstrate the type of leadership which the rest of the Nation will recognize and respect. In fact Mr. President it is the only place we can demonstrate this.

Hardly a day goes by that some Member of Congress does not insert a piece into the RECORD deploring the present state of the United States educational system. And yet right under our noses we have one of the Nation's most underpaid teaching staffs, and one of the most inadequate educational systems that I have ever seen. It is tragic, indeed, that the Nation's Capital should set such a poor example to the towns and cities of the United States.

Mr. President, as a member of the District of Columbia Committee, I heard all of the testimony concerning the teachers' pay raise offered before the Subcommittee on Fiscal Affairs. The following facts were emphasized during the hearings. I feel that they fully justify a sizable increase in teachers' salaries.

First. About one-fifth of the District's teachers are not presently qualified. Within the science and mathematics fields in junior and senior high schools 30 percent of the teachers are not qualified.

Second. Ten times as many positions are available as there are teachers on the eligible list.

Third. The teachers college of the District of Columbia supplies only 25 percent or 30 percent of the teachers of the Washington system. Therefore, it is necessary to recruit teachers from colleges outside of Washington.

Fourth. The 1956-57 turnover rate for Washington schoolteachers of 12.8 percent is high. It is inefficient and costly. More than half of the turnover is from the 20 percent of teachers who are not qualified.

The need for higher teachers' salaries is obvious.

The bill now under consideration, S. 3957, would provide for an increase in teachers' salaries of 21 percent. This is an extremely moderate proposal. It is well under the District of Columbia Board of Education recommendation of a 32-percent increase, and it is less than a third of the National Education Association's recommended 62-percent increase. This is the least we can do.

Experts from the educational field testified that the bill proposed by the District of Columbia Commissioners, providing for an increase of only 14 percent, would do little to alter the present deplorable situation. The following exchange took place during the hearings between Dr. Hansen, Superintendent of the District of Columbia Schools, and myself:

Senator PROXMIER. The Commissioners' bill, you feel, would not significantly affect this. You would still have approximately the same adverse 1 to 10 ratio between the demand and the supply?

Dr. HANSEN. I am certain it would make no dent on this. We would simply not get any help from it. The Commissioners' bill, of course, would keep us abreast of salary changes and economic conditions, but it seems to me it is indicated here in our experience that we have to get ahead of the economic changes here in order to solve this problem.

Washington can afford to go at least as far as a 21-percent increase. Today the maximum salaries for the Washington education system rank 14th on a list of the Nation's 18 largest cities, and yet, Washington's capacity to pay higher salaries is considerably higher than most cities on the list. Moreover, the percentage of the budget of the District of Columbia which is spent on education has been declining steadily during the same 9 years between 1947 and 1956 that per capita income has risen 61 percent.

To rise for a moment above the particular detail of the legislation, we should keep in mind, in coming to our decision on this matter, certain broader considerations than the strictly municipal. In the Capital City of our Nation, the Government, as the principal employer, ought not only be a model employer in terms of wages, hours, and working conditions—since, if the Government itself does not set the standard in these areas, who can or should provide these yardsticks and criteria—it should also provide the major share of the financing necessary for such a model system. The cost of this bill, if enacted without change, has been estimated at \$6,335,519 for fiscal year 1959, excluding retroactive costs. In view of the retroactive features of the bill, analogous to those contained in legislation enacted earlier this session for other governmental employees, for the present fiscal year, an additional \$3,488,967 is necessary.

I ask unanimous consent, Mr. President, that a table prepared by the Board of Education showing the cost of annual salary positions, per diem positions, and retirement costs of S. 3957 be printed in the Record at this point in my remarks.

There being no objection, the table was ordered to be printed in the Record, as follows:

The estimated additional cost attributable to the proposed 20 percent increase for the period January 1 through June 30, 1958, is \$3,488,967. The additional cost of salaries is \$3,071,902 (annual salary employees, \$3,014,902, and per diem employees \$57,000); in addition, retirement costs (verified with the actuary of the Treasury) increase by \$417,065.

The estimated additional cost from January 1 through June 30, 1958, would be:

Annual salary positions.....	\$3,014,902
Per diem employees.....	57,000
Retirement costs.....	417,065
Total.....	3,488,967

The estimated additional cost from July 1, 1958, through June 30, 1959, would be \$6,335,519, as follows:

Annual salary positions.....	\$5,460,375
Per diem employees.....	95,000
Retirement costs.....	780,144
Total.....	6,335,519

The total estimated additional cost for the period January 1, 1958, through June 30, 1959, would be \$9,824,486.

Mr. PROXMIRE. Mr. President, I note that as of July 17, 1958, the District of Columbia anticipated revenues of \$18.4 million for application against the cost of pay increase and retirement increase legislation. Included in that amount is \$10.5 million unappropriated Federal payment authorized under existing legislation. I am also aware that other necessary and desirable legislation for police and fire salary increases, teachers' annuities, and police and firemen's survivors annuity increases must be financed. Indeed, the Senate has just passed a bill relating to police and firemen.

These items, if enacted as recommended by the House and Senate District Committees, will leave the District with an estimated deficit of about \$7.3 million. To meet this deficit, it may very well be that, in the early days of the 86th Congress, it will be necessary to increase the authorized Federal payment. The retroactive features of the pending and approved proposals total \$9.5 million. If this amount were to be authorized for this one-time-only payment, instead of the anticipated deficit of \$7.3 million, there would be a surplus of \$2.2 million to take care of contingencies without resort to a curtailment of capital construction presently authorized. This is a fiscally sound proposal.

I respectfully suggest, Mr. President, that this be the method the Senate adopt in the next session to meet these extraordinary retroactive costs. I do not propose that we adopt legislation this session to accomplish this purpose, because I feel that the next 6 months will provide us with a more precise and accurate measurement of the impact of the salary increase and retirement increase legislation, which I hope we will pass in the coming weeks, upon the business of the city and hence upon the tax revenue to be derived from the District income, sales, and corporation tax sources.

The financing of this teachers' salary increase in the years ahead should not be too onerous. The increased cost per year 1960-63, over that now paid under the 1955 salary scale, amounts to about \$5.75 million a year. Surely, in a budget of more than \$200 million a year for the District, we shall be able to absorb, on behalf of our teachers, this relatively small amount.

I have not, in this brief summary, attempted to detail the arguments presented and the testimony taken in support of the principle of a substantial increase for our District teachers. The hearings before the subcommittee have been printed and are available to each Member. It is my firm conviction that the testimony taken, when given an objective review, could lead only to the conclusion that the increase here proposed is moderate, that it is needed, and that it should be accepted.

I should like to recall to the Senate the words of one of our abler and more farseeing Members, the distinguished senior Senator from the State of Oregon [Mr. MORSE]. If I recall correctly, on more than one occasion he has pointed out upon the floor of this Chamber that the only true wealth which we have in this Nation is that which rests upon the

skills taught, and the cultivated brainpower of our children. We, in our generation, are but trustees for the future of this land and its physical wealth. In a deeper sense, also, we are the trustees of a great tradition, the tradition of providing to each child an opportunity to learn and to be taught to the extent that his inherent abilities permit.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. PROXMIRE. I yield to the Senator from Pennsylvania.

Mr. CLARK. A moment ago the distinguished Senator, who has done such a magnificent job in endeavoring to obtain as much additional salary as is practical and feasible for the hard-pressed teachers of the District, said that he felt the proposed increases were moderate. I wonder if he will agree with me that they are totally, and completely inadequate.

Mr. PROXMIRE. I agree emphatically with the distinguished Senator from Pennsylvania. I wish we could have gone all the way with the recommendations of the National Education Association. I was deeply impressed by the witnesses who appeared before the subcommittee. They were competent and thoughtful. The testimony they offered was supported not only by educators, but my businessmen as well.

Mr. CLARK. I thank my friend for his comments. On my own time later I shall have something to say on the subject.

Mr. PROXMIRE. I thank the Senator from Pennsylvania, who has been such a tremendous help, not only in connection with this legislation, but all other legislation pertaining to education and to the interests of our teachers and schoolchildren.

Today, in the Senate of the United States, we are passing upon a bill directly related to that tradition. In passing it, we are recording ourselves as being on the right side of the ledger, of being willing to accept the financial responsibilities and costs that this commitment to public education entails. In the Capitol of the United States, and in the Capital City of our Nation, we can and ought do no less. Here is an opportunity for every Senator to vote for the kind of legislation that should be passed throughout the entire country. Here is a chance for the Senate to take up national leadership in the role of education. Here is a chance for the Senate to show that it means what it says on education. Here is a chance for action instead of talk.

Mr. BEALL. Mr. President, there is no doubt whatsoever that in almost every instance throughout this Nation where there is a school, there is an underpaid and overworked professional person—namely, the schoolteacher. If I were to read to this body each educational report that has been written in this past year alone, it would be made abundantly clear that our schools are in need of improvement. I think each of us is well aware of this need. Certainly no one is naive enough to believe that higher pay for teachers and administrators in any school system would be panacea or cure-all. But I think we

should look at the facts. I am sure we need only look at one paradox existing in the educational system in this country to determine exactly what one fault in our public school system stands out. There are, at the present time, many private schools in operation throughout this land which turn out generally a better-equipped student than do the public schools. A parent who sends his child to a private school does so because that child can obtain better teaching. The reasons are obvious—the classes are smaller and as such a student can therefore receive individual attention and the private school can more readily obtain the best instructors simply because they are capable of purchasing in the teacher market, the best of people. They can do this because they have the money to pay an adequate salary. This money also affords the private school the luxury of being selective in their personnel policies. Public schools generally cannot compete. This is certainly the reason for such high tuitions to private schools—they can, by properly using these high tuitions and their large endowments—pay a capable instructor a salary that he cannot possibly decline. Let us not forget, in this regard, that the parents who send their children to private schools have realized the weaknesses in the public system and are saying in effect, "If my community does not wish to spend the money for the best people to teach my child, I must therefore do so myself." The success of the private school in this country would certainly, and more clearly than anyone can express here, point out this truism and the weaknesses in the public systems.

Today we have before us a bill which, I believe, would bring to the schoolteachers in the District of Columbia social standing, self-respect, and a fair reward for their labors. Certainly the teaching profession is one of dedication with a great amount of reward other than those things material. It is my desire, and I hope the desire of this body, to augment this psychic reward with a fair material one.

A raise in pay for schoolteachers is needed here in the District of Columbia, a substantial raise in pay is imperative. We, the Members of the Congress, have the duty coupled with the power to correct and improve the school system in our Nation's Capital. We can indicate to the entire country what we believe a schoolteachers' services to be worth. We can do no less than the proposal before us today. To do otherwise would be not only an injustice to the teachers in the District of Columbia system but would do great harm to teachers throughout the land. I need not remind Senators that every State, city, and county will use what we do here as an indication of what should be done locally. There certainly is no States rights issue present here, but let us not delude ourselves into thinking that this is a strictly local issue. What we do here today will be brought before every school board in the Nation, every State legislature, and every city council—let us indicate clearly and emphatically what we believe our teachers should be paid.

To the children who are attending District schools and who will attend in the future, we owe a duty to furnish them the very best education that can possibly be obtained. To the teachers presently in the system we can do no more than what is right and give them a decent reward for their services. To the parents of children who cannot afford a private school education for their children, we owe the duty of giving their children an education at least as good as can be obtained in an A-1 private school. To the generations yet to come, we owe the greatest duty, and let us not forget it, because our very existence in the Free World could be at stake. To them our duty is clear and simple, we must attract the top personnel into teaching. Nothing will suffice in this regard, but an adequate pay scale. There is no need comparing industrial pay scales with teaching scales. Each of us know, beyond a doubt, that teachers are grossly underpaid. This bill, if it becomes public law, will go a long way to improve education for children here and elsewhere. I do not want anyone to feel this will not be expensive, but the citizens through the Nation are all aware that the improvements needed in education are expensive. We can do no more than what our conscience dictates, and a well-spent dollar today may save us many dollars in the future. This bill would mean money well spent, and I urge Senators to put themselves on record in favor of a decent wage for schoolteachers. This bill is extremely desirable legislation and long-past due. We have no other course but to unanimously approve it not only for our teachers in the District of Columbia, but to help teachers as well in every school over the country, and give education the momentum it now needs.

The members of the District of Columbia Committee have worked hard and put in long hours to bring out a bill which they considered to be equitable.

The proposal before us today is less than that asked by the educators themselves such as the school board in the District of Columbia, who are in the best possible position to determine need. I am glad the Senator from Pennsylvania made the observation which he made. I, too, agree that the scale to which he referred should have been the scale adopted in this instance. Let me repeat for emphasis that the Board of Education of the District of Columbia is the group of whom I am speaking. They considered what the barest needs for teachers salaries were here in the District of Columbia and the bill before us today provides approximately 14 percent less than the amount recommended by the group charged with the duty and responsibility of administering the school system in the District of Columbia. Nothing could be fairer than this piece of legislation—I urge Senators to give it their wholehearted support.

Mr. CLARK. Mr. President, sometimes it is difficult for a Member of this body to know when to fight on to the end in support of a principle in which he deeply believes, and when to accept the

old maxim that "He who fights and runs away will live to fight another day."

With some feeling of personal shame, I have concluded to fight and run away.

The bill, as it comes from the committee, is in my judgment totally and completely inadequate to meet the minimum educational needs of the children of the District of Columbia. In a moment or two an amendment will be offered from the floor which will make it even more inadequate, and, perhaps to my shame, I shall support that amendment. I shall do so because in my judgment there is no practical, feasible way by which we can obtain for the teachers of the District of Columbia as much as one-third of what they ought to have to give the Nation's Capital not the best primary and secondary educational system in the country, but at least a very good one.

Mr. MORSE. Mr. President, will the Senator yield?

Mr. CLARK. I yield to the distinguished Senator from Oregon.

Mr. MORSE. I rise to the defense of my friend from Pennsylvania.

Mr. CLARK. As my friend from Oregon has done so often in the past, and will do in the future.

Mr. MORSE. Because of his great statesmanship and high motives, I do not like to leave in the Record a single statement by the Senator from Pennsylvania which could possibly be misinterpreted.

When the Senator says he may find himself in the position of supporting an amendment offered from the floor of the Senate, perhaps to his shame, I say that it will not be to his shame. It will be only because he learned arithmetic in grade school. He can count. We have counted noses, and, as mathematicians, we know the position in which we find ourselves. It is not a happy one.

I speak also for my chairman. I do not believe any member of the committee should be charged with responsibility in connection with any amendment we must adopt in order to obtain a majority vote for the best bill we can get through the Senate tonight.

We are going to fight another day. We have put up the best fight we could this time. We are going to continue to fight in the District of Columbia Committee of the Senate until we can persuade the Congress of the United States to live up to its clear responsibility to provide for the District of Columbia the money to which the voteless people of the District are entitled.

Much more money is needed for the schools. The Senator from Pennsylvania does not need to offer any apologies for his vote in support of any amendment for which he and I will reluctantly vote in order to get an increase in compensation for the teachers. Unless we go along with the amendment, the result is likely to be no increase at all.

The National Education Association outlined a program for our committee for which we ought to continue to fight; and we will.

Mr. CLARK. I thank my friend from Oregon for his kind remarks. I wish they were at least in part deserved.

What should this increase be, in order to give the District of Columbia not the best educational system of any city in the country, but only a really good one? It was outlined pretty well by Mr. Ellis Haworth, chairman of the salary committee of the District of Columbia Education Association, a group composed of individuals having a clear and sound understanding of the educational requirements of a great city such as Washington.

In his testimony before our committee, he said:

In drawing up our pay scales, we sought to establish scales which would attract and hold the caliber of teacher and officer our community wants in its school system. To do this, we had to set up a beginning salary which would be competitive with that offered by other situations (government and industry) wishing to obtain the services of persons having the same high qualifications we sought.

Can there be any doubt that that is merely common sense? How can we obtain an adequate teaching force, and how can we hold it if we do not offer a competitive salary?

I continue to quote from the testimony:

We next had to provide sufficiently large annual increments to be worthwhile and to enable the teacher to double his salary in a reasonable time. We chose 10 years for this purpose, though many in industry can double their income in 5 to 6 years.

Can anyone doubt that that is nothing more than common sense?

Since the field of education is becoming more complex and professional each year, it was necessary to establish incentive scales, to encourage our staff to attain higher levels of professional training and preparation.

Can anyone doubt that that makes common sense? I ask Senators to listen to this part of the testimony particularly:

With the number of persons on temporary appointment currently at 23 percent of our total staff, and with this number increasing every year, it is obvious that a small increase over our present salary scales would not solve this problem.

That is the truth, too. What we are about to do will not decrease substantially the number of individuals on temporary tenure. We will not get the highly qualified teachers the city needs. Mr. Haworth continues:

It has been estimated that the cost for the first year of the salaries proposed in S. 3734 will be about \$15 million above the current level for salaries in the school system.

He asked the pertinent question:

Can the District of Columbia afford such a program?

He gave a different answer than I am giving. I say the District of Columbia cannot afford not to have such a program if it intends to provide the kind of school system the Nation's Capital should have in the greatest free country in the world, and to protect our freedoms against the threat of communism.

Mr. Haworth asked the question:

Can the District of Columbia afford such a program?

He answered.

Yes; if it gave its public school system that portion of its total budget which other cities, on the average, give to their school systems. We have been operating in Washington on a program designed to keep school expenditures to the very minimum. Our city officials have chosen to prepare budgets in which they have bought other things with our tax money rather than a good school system.

In 1956, Washington spent 19.55 percent of its total budget on its schools; in 1957, 18.85 percent; and in 1958, 16.65 percent. Studies show that the larger cities spend about 30 or 35 percent of their total budgets on their public school systems. If Washington spent the same proportion of its funds, there would be enough for our proposed new pay scales and our building program, too.

Mr. President, I hope Mr. Haworth is right. If he is not right, taxes should be raised in the District of Columbia and the Federal payment should be increased to the point necessary to provide a decent educational system for the city. It cannot afford not to do it.

I have a sense of shame, as a Member of the Senate, in noting how lacking we are in facing our responsibilities when it comes to the challenge of education. The 85th Congress has been in session for almost 2 years, and we have not yet considered a Federal aid-to-education bill. It is possible that we will not consider it at this session. We should view ourselves with shame every time we think of it. We do not hesitate to raise the salaries of policemen and firemen in the District of Columbia. I am happy to vote for such raises, because the recipients need them. We do not hesitate to pass a bill authorizing as much as \$50 million for a sports stadium for professional football and baseball teams, on a financial basis which is almost certain to result in a deficit for the Federal Treasury in the first 3 years of its operation. However, when it comes to the question of increasing the salaries of schoolteachers, we say, "Oh, no." There are four Senators on the floor, with an understanding, to which I am a party, that a bill which is totally inadequate to meet the situation, will be passed, even though the bill will not bring about the needed improvements in the educational system of the District of Columbia.

In saying these things I wish to make it clear that I am not criticizing the chairman of the committee or the ranking minority member of it, or any member of the Committee on the District of Columbia. They have all labored hard in the vineyard. Their hearts are in education just as much as is mine.

We know that a situation exists in the other body and among some of our own colleagues, by reason of which, as a practical matter, we cannot do what is just and right.

In connection with the District of Columbia home-rule bill, on which my friend from Oregon and I find ourselves in some mild disagreement, I earned the unhappy nickname of "Half-a-Loaf Clark," because I felt it was better to get something than nothing. When I vote for the amendment which is about to be proposed, I shall want to change that

name to "Quarter-of-a-Loaf Clark." I still believe something is better than nothing, but I am a little ashamed of myself when I take this position.

Mr. President, I yield the floor.

Mr. MORSE. I wish to say good naturedly to my friend from Pennsylvania that in regard to the home-rule bill he will not get any home rule at all under the bill he is supporting. However, we will thrash that out at a later time. We are getting at least something for the teachers this evening. I prefer not to make my statement until the amendment has been proposed, because I wish to say something about the amendment.

Mr. BIBLE. Mr. President, I believe the Senator from Maryland wishes to offer an amendment.

Mr. BEALL. I have an amendment which I call up at this time.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 11, it is proposed to strike lines 2 through 25; on page 12, to strike lines 1 through 20, inclusive, and to insert in lieu thereof the following:

(a) As of January 1, 1958, each employee assigned to a salary class in accordance with section 1 and section 4 of this act shall be assigned to the same numerical service step on the schedule for his class, or class and group, under this act as he occupied on December 31, 1957, except that each employee under this act who on December 31, 1957, was on a service step which was numerically higher than the highest step provided for the salary class, or class and group, to which he is assigned under section 1 of this act shall be assigned as of January 1, 1958, to the highest step provided for his salary class, or class and group, in section 1 of this act. On July 1, 1958, each permanent employee in the service of the Board who on June 30, 1958, was in such service but was not yet at the highest numerical service step for his salary class, or class and group, in section 1 of this act shall be assigned to the numerical service step for his class, or class and group, in section 1 of this act next above the step occupied by him on June 30, 1958. As soon as possible thereafter, and not later than June 30, 1959, the Board shall reevaluate the previous service of each probationary and permanent employee under this act who served in the public schools of the District of Columbia prior to July 1, 1955, who also was in service in such schools on July 1, 1958, and who on July 1, 1955, was not assigned to the highest numerical service step of the existing salary schedule for his class, or class and group, to determine the number of years of service with which the employee shall be newly credited for the purpose of salary placement. All such employees shall be given placement credit for previous service in accordance with the provisions of this act governing the placement, advancement, and promotion of employees who are newly appointed, reappointed, or reassigned to positions in the District of Columbia public schools.

(b) As soon as such reevaluation is completed for all employees involved, each such employee shall be assigned to the numerical service step for his salary class, or class and group, under this act next above the step corresponding to the number of his years of creditable service rendered prior to July 1, 1958, as determined by such reevaluation, but no employee shall receive a salary above the top step for his class, or class and group, or below the step already occupied by him. If such reevaluation places the employee on a higher numerical service step than the one

Salary class and position	Service step 1 (mini- mum)	Service step 2	Service step 3	Service step 4	Service step 5	Service step 6	Service step 7	Service step 8	Service step 9	Service step 10	Service step 11	Service step 12	Service step 13
Class 1: Superintendent of schools.....	\$19,000												
Class 2: Deputy superintendent.....	14,600	\$14,850	\$15,100	\$15,350	\$15,600	\$15,850	\$16,100	\$16,350	\$16,600				
Class 3: Assistant superintendent; president, teachers college.....	12,800	13,050	13,300	13,550	13,800	14,050	14,300	14,550	14,800				
Class 4: Dean, teachers college.....	11,700	11,950	12,200	12,450	12,700	12,950	13,200	13,450	13,700				
Class 5:													
Group B, master's degree.....	10,200	10,450	10,700	10,950	11,200	11,450	11,700	11,950	12,200				
Group C, master's degree plus 30 credit hours.....	10,400	10,650	10,900	11,150	11,400	11,650	11,900	12,150	12,400				
Dean of students, teachers college.													
Executive assistant to superintendent.													
Psychiatrist.													
Class 6:													
Group A, bachelor's degree.....	9,300	9,550	9,800	10,050	10,300	10,550	10,800	11,050	11,300				
Group B, master's degree.....	9,800	10,050	10,300	10,550	10,800	11,050	11,300	11,550	11,800				
Group C, master's degree plus 30 credit hours.....	10,000	10,250	10,500	10,750	11,000	11,250	11,500	11,750	12,000				
Director, Department of Food Services.													
Class 7:													
Group B, master's degree.....	9,200	9,450	9,700	9,950	10,200	10,450	10,700	10,950	11,200				
Group C, master's degree plus 30 credit hours.....	9,400	9,650	9,900	10,150	10,400	10,650	10,900	11,150	11,400				
Administrative assistant to deputy superintendent.													
Director.													
Principal, senior high school.													
Chief examiner.													
Registrar, teachers college.													
Principal, vocational high school.													
Class 8:													
Group B, master's degree.....	8,800	9,050	9,300	9,550	9,800	10,050	10,300	10,550	10,800				
Group C, master's degree plus 30 credit hours.....	9,000	9,250	9,500	9,750	10,000	10,250	10,500	10,750	11,000				
Professor, teachers college.													
Principal, junior high school.													
Principal, Americanization School.													
Principal, Capitol Page School.													
Supervising director.													
Class 9:													
Group B, master's degree.....	8,400	8,650	8,900	9,150	9,400	9,650	9,900	10,150	10,400				
Group C, master's degree plus 30 credit hours.....	8,600	8,850	9,100	9,350	9,600	9,850	10,100	10,350	10,600				
Director, Department of School Attendance and													
Work permits.													
Principal, elementary school.													
Assistant principal, senior high school.													
Assistant principal, vocational high school.													
Class 10:													
Group A, bachelor's degree.....	7,500	7,750	8,000	8,250	8,500	8,750	9,000	9,250	9,500				
Group B, master's degree.....	8,000	8,250	8,500	8,750	9,000	9,250	9,500	9,750	10,000				
Group C, master's degree plus 30 credit hours.....	8,200	8,450	8,700	8,950	9,200	9,450	9,700	9,950	10,200				
Assistant Director, Department of Food Services.													
Assistant principal, junior high school.													
Assistant principal, Americanization School.													

Salary class and position	Service step 1 (minimum)	Service step 2	Service step 3	Service step 4	Service step 5	Service step 6	Service step 7	Service step 8	Service step 9	Service step 10	Service step 11	Service step 12	Service step 13
Class 11:													
Group B, master's degree.....	\$7,600	\$7,850	\$8,100	\$8,350	\$8,600	\$8,850	\$9,100	\$9,350	\$9,600				
Group C, master's degree plus 30 credit hours.....	7,800	8,050	8,300	8,550	8,800	9,050	9,300	9,550	9,800				
Associate professor, teachers college.													
Assistant principal, elementary school.													
Class 12:													
Group B, master's degree.....	7,200	7,450	7,700	7,950	8,200	8,450	8,700	8,950	9,200				
Group C, master's degree plus 30 credit hours.....	7,400	7,650	7,900	8,150	8,400	8,650	8,900	9,150	9,400				
Assistant director.													
Statistician.													
Class 13:													
Group B, master's degree.....	6,500	6,750	7,000	7,250	7,500	7,750	8,000	8,250	8,500				
Group C, master's degree plus 30 credit hours.....	6,700	6,950	7,200	7,450	7,700	7,950	8,200	8,450	8,700				
Assistant professor, teachers college.													
Chief librarian, teachers college.													
Assistant.													
Supervisor.													
Chief attendance officer.													
Clinical psychologist.													
Class 14:													
Group B, master's degree.....	5,800	6,050	6,300	6,550	6,800	7,050	7,300	7,550	7,800				
Group C, master's degree plus 30 credit hours.....	6,000	6,250	6,500	6,750	7,000	7,250	7,500	7,750	8,000				
Psychiatric social worker.													
Class 15:													
Group A, bachelor's degree.....	4,500	4,700	4,900	5,100	5,300	5,500	5,700	5,900	6,100	\$6,300	\$6,500	\$6,700	\$6,900
Group B, master's degree.....	5,000	5,200	5,400	5,600	5,800	6,000	6,200	6,400	6,600	6,800	7,000	7,200	7,400
Group C, master's degree plus 30 credit hours.....	5,200	5,400	5,600	5,800	6,000	6,200	6,400	6,600	6,800	7,000	7,200	7,400	7,600
Attendance officer.													
Census supervisor.													
Child labor inspector.													
Counselor.													
Instructor, teachers college.													
Librarian.													
Research assistant.													
School psychologist.													
School social worker.													
Teacher, elementary and secondary schools.													

On page 10, lines 10 and 11, strike the word "appropriate" and insert in lieu thereof "appropriate."

On page 12, line 24, strike the comma after the word "Act" and insert in lieu thereof a period.

Page 17, strike the salary schedule at the top of the page and insert in lieu thereof the following salary schedule:

Classification	Step 1	Step 2	Step 3
	Per diem		
SUMMER SCHOOLS (REGULAR)			
Teacher, elementary and secondary schools; instructor, teachers college.....	\$17.63	\$20.07	\$22.50
Assistant professor, teachers college.....	20.98	23.78	26.58
Associate professor, teachers college.....	23.71	26.88	30.04
Principal, elementary school; assistant principal, senior high school.....	24.68	28.10	31.50
Supervising Director; principal, junior high school.....	25.56	29.10	32.62
Professor, teachers college.....	26.43	29.99	33.51
Principal, senior high school.....	26.45	30.11	33.75
	Per diem		
VETERANS SUMMER HIGH SCHOOL CENTER			
Teacher.....	\$26.45	\$30.10	\$33.75
	Per period		
EVENING SCHOOLS			
Teacher.....	\$4.69	\$5.01	\$5.50
Principal, elementary school; assistant principal, secondary school.....	6.03	6.87	7.71
Principal, secondary school.....	6.46	7.36	8.26

Page 20, line 2, strike out the word "Guidance" and insert in lieu thereof "Guidance."

Page 20, line 7, strike the word "contain" and insert in lieu thereof "contained."

Mr. BIBLE. Mr. President, the purpose of the amendment is to provide for an increase of approximately 17.8 percent in the salaries of schoolteachers and professional staff members under the Board of Education of the District of Columbia. This would cost for the coming year some \$8,300,000, and includes retirement and retroactive pay to January 1 of this year.

The bill as submitted by the Commissioners of the District of Columbia and as approved by the House of Representatives called for a salary increase of 13.7 percent, at a cost of about \$5,990,000.

I have great sympathy with the views expressed by my able colleagues on the Committee on the District of Columbia. The amendment sponsored by the Senator from Wisconsin [Mr. PROXMIER] called for an increase of some 21 percent at a cost of about \$9,824,000.

The task of the committee was not an easy one. It was to attempt to strike a balance which was fair to the teachers and was realistic of accomplishment. The amendment which I have offered on behalf of myself and my colleagues will, if adopted, place the minimum salary scale of teachers in the District of Columbia on a basis equal to that of teachers anywhere in the entire country, including Los Angeles and San Francisco. The amendment, if adopted, will place teachers having the degree of master of arts in first place, even with the city of San Francisco. Those having the degree of master of arts plus 30 hours will be in second rank, with only the city of San Francisco paying a higher beginning salary in that particular classification.

As to teachers in the highest rank, this particular amendment would place the city of Washington in third place, to be outranked, at a beginning salary, only by the cities of San Francisco and Los Angeles.

On the maximum salary portion of the bill, the amendment, if adopted, would place those employed in the school system of Washington, and having the degree of bachelor of arts, in fourth place among comparable cities of the United States. I think the population figure for the cities compared is 500,000 or over.

The amendment would place those having the degree of master of arts in third place, and would place those having the degree of master of arts plus 30 hours in fourth place. It would place those having the highest level to be recognized in fifth place in terms of maximum salary schedules.

In our attempt to prepare a bill which was fair to the teachers, I think we have placed the teachers in a much better financial position, a position which will enable our Board of Education to compete for teaching talent and to attract the type and quality of personnel which is needed by the school system of the District of Columbia.

In my 4 years of service on the Committee on the District of Columbia, the committee has done its best to raise the levels of teachers' salaries to make them competitive and to make the positions attractive to the profession. I think this amendment will help to accomplish that purpose.

In answer to the argument of the Senator from Pennsylvania [Mr. CLARK], I simply wish to correct what I know was an inadvertent misstatement on his part. I understood him to say that we had recently passed a bill to construct a municipal stadium which would cost

some \$50 million. I think the actual fact is that the best estimate available is that the cost will be in the neighborhood of \$7 million or \$8 million. I know the Senator would want to have the Record corrected in that respect.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. BIBLE. I yield.

Mr. CLARK. I am grateful to the Senator from Nevada for having called my mistake to my attention. I am happy to take the word of the distinguished chairman of the committee for the fact that I was in error. I should like to have the Record corrected. I was under the impression it was a \$50 million guaranty. I am glad to be corrected.

Mr. MORSE. Mr. President, will the Senator yield?

Mr. BIBLE. I yield.

Mr. MORSE. Despite the correction, I say that even \$7 million or \$8 million is still too much to pay for a stadium until teachers are taken care of properly.

Mr. CLARK. We have to admit that it is only a guaranty, so far as the stadium is concerned. Presumably only the first 3 years will show a loss.

Mr. BIBLE. I think, in fairness to all concerned it should be made very clear that the stadium construction would not proceed until there was an absolute underwriting of the project.

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. BIBLE. I yield.

Mr. PROXMIRE. I very reluctantly agreed to accept this amendment, not in the interest of educational realism, but in the interest of and on the basis of political realism. I have been convinced by persons who have far greater experience than I have in the Senate and in Congress that this is the best way in which we can get an increase for the teachers of the District.

The chairman of the Committee on the District of Columbia has done magnificent work to solve this problem. He deserves a world of credit for the very wonderful way in which he has handled the bill. In my judgment, he deserves much thanks from the teachers of the District of Columbia.

Mr. BIBLE. I appreciate the sentiments expressed by the Senator from Wisconsin. I certainly reciprocate his sentiments. In fact, I shall reciprocate to the extent of asking that the Senator from Wisconsin be appointed one of the conferees on the part of the Senate to resolve this particular problem. I know he will do capable work in that capacity.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. BIBLE. I yield.

Mr. CLARK. I indicate my complete agreement with what the Senator from Wisconsin has just said and with what the Senator from Oregon said a minute or two ago. I express the strong hope that the reduction which we are now about to vote will be the irreducible minimum in conference, and that we shall fight in conference to the very end to maintain the reduced scale of increases which is about to be adopted by the Senate, although very reluctantly, as I am

certain my friend from Nevada knows, on the part of many of us.

Mr. BIBLE. I appreciate the sentiments of the Senator from Pennsylvania. I am sure that a majority of the conferees to be named on the part of the Senate will be strong advocates of even a higher salary scale for the teachers than that now being considered, so they will have ample opportunity to hold the fort, so to speak.

Mr. MORSE. Mr. President, I support the very able presentation made by the distinguished and soundly liberal Senator from Wisconsin [Mr. PROXMIRE] on the question of a salary increase for teachers in the District of Columbia. I do so with the reservation that the 17.8 percent increase proposed by the amendment offered by the chairman of the committee is the minimum increase which deserves our support in the Senate.

I wish to make it very clear, as did the Senator from Pennsylvania [Mr. CLARK] and the Senator from Wisconsin [Mr. PROXMIRE], that the Senator from Nevada [Mr. BIBLE] is deserving of a vote of thanks by all who are interested in improving educational standards in the District of Columbia. As the chairman of the committee, it was necessary for him to help iron out, on the anvil of reasonable compromise, the best bill we could get. As I said earlier in the debate this afternoon, we counted noses, and "This is it." We still have, in my judgment, some negotiating to do in conference in order to get even this bill.

But I think it would be most unfair if the Senator from Nevada [Mr. BIBLE] were to be subjected to any adverse comment because of the adoption of this amendment, since it was only through his leadership, in my judgment, that we have any bill at all tonight.

What the Senator from Wisconsin [Mr. PROXMIRE] and the Senator from Pennsylvania [Mr. CLARK] have done with respect to the bill also deserves our thanks. In fact, the educational program of the Nation received a tremendous boost when the Senator from Wisconsin was elected to the United States Senate. He has already made a great record in this body in working toward and fighting for improved educational programs in the United States.

I feel certain that the able floor leader of the bill shares my sentiment, for in good conscience we could make an excellent case for a much higher increase than that which is now being considered.

We must bear in mind that this bill is but an approach to a desirable goal—the goal of an equitable financial recognition for the foster parents of our children, the teachers in our public schools.

What does this bill provide to which legitimate objection can be taken? Is it that the entrance salary of \$4,600 a year is too high for a teacher whose training has, at the very least, taken place during 4 years spent at an accredited institution of higher learning? This cannot be, for we have recognized in legislation considered earlier, an entrance salary of \$4,800 a year for our police and firemen, and I hasten to add, that although I regard the police and fire entrance salary

as a most proper and reasonable one for those worthy categories of public servants, I must respectfully point out that the kind and quality of teachers training necessary for appointment and accreditation is deserving of at the least substantially similar recognition.

Is the argument advanced that the percentage raise is too great? To this argument, at least the following points should be entered in refutation: First, a percentage increase is meaningful only to the extent that the data upon which it is based are thoroughly understood. If the existing structure is, in itself, inequitable, reflecting past inadequacies, then a percentage figure derived from that base only compounds and continues the inequity. Second, and in elaboration of the foregoing, let us inquire into the dollar-and-cents aspect of the bill as it affects the beginning teacher.

At present, a probational teacher with a bachelor of arts degree receives \$3,900 per annum, upon appointment; an entering fireman receives \$4,193; or for the teacher there is an adverse differential of \$293 a year. Under legislation, as passed by the Senate and the House of Representatives, a fireman will start at \$4,800 a year; while, under the pending legislation, the entrance salary of a teacher with a bachelor of arts degree will be \$4,500 a year. Under the 17.8 percent increase provided by the amendment, therefore, the adverse differential, instead of being overcome, is rather in fact, increased by \$7 a year. To accept a percentage increase in teacher's pay lower than that provided by the pending bill, on the plea of maintaining an equity between the teachers and other employee groups within the organizational structure of the government of the District of Columbia, simply is not justified by the evidence. The city officials who made that argument should go back to grade school to learn how to add, subtract, and multiply, because their testimony was not mathematically sound. The facts of the situation, Mr. President, do not uphold their untenable argument. Therefore, that argument should not be given color or sanction by the Senate.

From time to time, here in the Senate, we discuss the question of parity. As my record will show, over the years I have fought for parity for farmers. Today, I plead with my colleagues to give to the teachers of the District of Columbia, the less than 33 percent of parity that this bill represents. It will not bring them, as a group, up to the standards so eloquently argued for by the representatives of the National Educational Association before the committee, when they advocated a 63 percent increase in teachers' pay; but at least it will hold the line, and will not acquiesce in the relatively retrograde proposals which, in the guise of a 13.7 percent increase, conceal an increasingly adverse differential in pay for the teachers as compared to the pay for the police and firemen.

Mr. President, I shall vote for the amendment only with the pledge on my lips that in the next session of Congress

and in every other session of Congress in which I serve, I shall continue to fight until the Congress enacts legislation which does justice to the teachers and does justice to the schoolchildren of the District of Columbia.

I close by saying that the most inexcusable waste of which a democratic people can be guilty is the waste of human resources. But this year the Congressional representatives of a democratic people are once again going to close the books of a session of Congress with a continuation of an inexcusable waste of human resources, because the Congress is not willing to come to grips with the educational problems of the District of Columbia and is not willing to provide, for the schoolchildren of the District of Columbia, the justice they are entitled to receive from the representatives of the free people of this Republic.

The PRESIDING OFFICER (Mr. TAMMAGE in the chair). The question is on agreeing to the amendment offered by the Senator from Nevada [Mr. BIBLE], for himself and other Senators.

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

If there be no further amendment to be proposed, the question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading, and read the third time.

Mr. BIBLE. Mr. President, before the question on final passage of the bill is put, I should like to express, as chairman of the committee, my thanks to the Senator from Delaware [Mr. FREAR], the chairman of the subcommittee which considered the bill, who is out of the city today, on official business, and thus is unable to be present in the Chamber; and I should also like to express my thanks to each Senator who has spoken in support of legislation which will be fair to teachers.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD a statement which I have had prepared on Senate bill 3957, as now amended.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

The committee had before it three major proposals during the hearings. The Commissioners favored a bill providing for a 13.7 percent increase, the Board of Education recommended a 32 percent increase, while the District of Columbia Education Association sought to obtain a 63 percent increase.

The Fiscal Affairs Subcommittee reported to the full committee the Commissioners' proposal for a 13.7 percent overall increase, with certain classification amendments, relating to the salary of the Superintendent of Schools, the position of the principal of the Capitol Page School, the relative salary position of principals and assistant principals, and the salary rates for supervising directors.

The full committee, by majority vote, recommended to the Senate the Commissioners' proposal in an amended form to provide for an overall increase of approximately 20 percent, together with additional classification adjustments.

The amendments which have just been adopted provide for an overall increase of

approximately 17.8 percent instead of the 20 percent reported by the committee. (H. R. 13132 provides for an overall increase of approximately 14 percent.)

The purpose of this bill, as amended, is to amend the District of Columbia Teachers Salary Act of 1955, to increase the rate of pay for schoolteachers and officers covered under that act.

S. 3957 increases the minimum rate for a teacher with a bachelor's degree from the present \$3,900 to \$4,500 (15.4 percent) and the maximum from \$5,800 to \$6,900 (19 percent), increases the salary of the Superintendent of Schools from \$18,000 to \$19,000 (5.6 percent), and provides an upward revision of the entire pay schedule in section 1 averaging approximately 17.8 percent. It also changes the groupings of some of the officers' positions from those existing under the 1955 Salary Act.

In addition to the amendments to section 1, it includes amendments to various other sections of the Salary Act of 1955, relating to qualification requirements for appointment of shop teachers in the vocational education program; authorizing a study and evaluation of all positions in the schedule; providing for reevaluation of service credit of certain employees, adjustment resulting therefrom to be effective July 1, 1958; defining more specifically what shall be considered creditable service for salary placement; including a salary schedule for summer and evening school employees; and directing the elimination of dual supervision in certain departments of the public schools. There are other amendments primarily changing dates and classes resulting from the amendments described. The effective date of the bill is January 1, 1958.

S. 3957 also revises the position of assistant principal in the schedule to provide an \$800 salary differential between the principal and assistant principal at each of the school levels. The change is also reflected in the schedule for evening and summer school employees. Prior to the 1955 act the differential was \$500; the 1955 act increased the differential at the senior high school level to \$1,600 and at the junior high school level to \$1,300. This bill provides for a differential of \$800, which was recommended by the Board of Education.

S. 3957 as amended also differs from S. 3957 as introduced in that it advances the position of the principal of Capitol Page School to class 8 and supervising directors to class 8; it designates that the Board of Education, with the cooperation of the Board of Commissioners, shall make the study provided for in section 5, rather than the Board of Commissioners with cooperation of the Board of Education (it accomplishes the same objective but affords the Board of Education the initiative); it provides in effect by way of practical application that in the departments of art, business education, English, foreign languages, guidance and placement, history, home economics, industrial arts, mathematics, military science and tactics, music, science, trade and industrial education, and health, physical education, athletics, and safety, there be henceforth but one person at the head of these departments and any others that may hereafter be established (at present there are two coordinate supervising directors in charge of some of these departments); and it assigns principals of vocational high schools to class 7 rather than class 8 and places them on a parity with senior high school principals.

The cost of this legislation is estimated to be approximately \$8,300,000, including retroactive pay and retirement for the first year.

DIFFERENCES

S. 3957: Minimum (bachelor of arts), \$3,900 to \$4,500 (15.4 percent); maximum \$5,800 to \$6,900 (19 percent); superintendent of schools, \$18,000 to \$19,000 (5.6 percent). Revision of entire pay schedule averaging

approximately 17.8 percent. Estimated cost, including retroactive pay and retirement for the first year, \$8,300,000.

H. R. 13132: Minimum (bachelor of arts), \$3,900 to \$4,500 (15.4 percent); maximum, \$5,800 to \$6,600 (13.8 percent); superintendent of schools, \$18,000 to \$19,000 (5.6 percent). Revision of the entire pay schedule averaging approximately 14 percent. Estimated cost, including retroactive pay and retirement for fiscal year, \$5,990,000. (January 1, 1958, through June 30, 1959.)

Mr. BIBLE. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1873, House bill 13132, to amend the District of Columbia Teachers' Salary Act of 1955.

The motion was agreed to; and the Senate proceeded to consider the bill (H. R. 13132) to amend the District of Columbia Teachers' Salary Act of 1955.

Mr. BIBLE. Mr. President, I move that all after the enacting clause of the bill be stricken out, and that there be inserted, in lieu thereof, the text of Senate bill 3957, as amended today by the Senate.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Nevada.

The motion was agreed to.

The PRESIDING OFFICER. The question now is on the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill (H. R. 13132) was read the third time and passed.

Mr. BIBLE. Mr. President, I move that Calendar No. 1838, Senate bill 3957, be indefinitely postponed.

The motion was agreed to.

AMENDMENT OF FEDERAL CIVIL DEFENSE ACT OF 1950

Mr. BIBLE. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1866, House bill 7576, to further amend the Federal Civil Defense Act of 1950, as amended, and for other purposes.

The motion was agreed to; and the Senate proceeded to the consideration of the bill (H. R. 7576) to further amend the Federal Civil Defense Act of 1950, as amended, and for other purposes, which had been reported from the Committee on Armed Services, with amendments, on page 2, line 22, after the word "expenses", to insert a colon and "Provided further, That the authority to pay travel and per diem expenses of students as authorized by this subsection shall terminate on June 30, 1964"; on page 3, line 5, after the word "That", to insert "until June 30, 1964"; in line 17, after the word "and", to insert a colon and "Provided further, That after June 30, 1964, no contribution shall be made for the purchase of personal equipment for State or local civil defense workers."; on page 6, line 5, after the word "director", to insert "or deputy director"; on page 8, line 3, after "201 (g)", to strike out the parentheses and the period following; after line 3, to insert:

(h) The provisions of this section terminate on June 30, 1964.

On page 9, after line 7, to insert a new section, as follows:

SEC. 6. Section 408 of the act is amended by striking the period at the end thereof and inserting a colon and the following: "Provided further, That appropriations for the payment of travel and per diem expenses for students under section 201 (e) shall not exceed \$300,000 per annum; appropriations for expenditures under the fourth proviso of section 201 (h) (donation of radiological instruments, et cetera) shall not exceed \$35,000,000 per annum; appropriations for contribution to the States for personal equipment for State and local workers, under section 201 (i) shall not exceed \$2,000,000 per annum; appropriations for contributions to the States for personnel and administrative expenses under section 205 shall not exceed \$25,000,000 per annum."

And, after line 21, to insert a new section, as follows:

SEC. 7. Title IV of the act is amended by adding the following new section thereto:

"APPLICABILITY OF REORGANIZATION PLAN NO. 1

"SEC. 413. The applicability of Reorganization Plan No. 1 of 1958 (23 F. R. 4991) shall extend to any amendment of this act except as otherwise expressly provided in such amendment."

Mr. BIBLE. Mr. President, the general objective of House bill 7576, which was reported unanimously from the distinguished Armed Services Committee and is cleared on both sides of the aisle, is to expand Federal assistance in the field of civil defense, so that responsibility for this vital area of national security will be vested jointly in the Federal Government and the several States and their political subdivisions.

I ask unanimous consent to have printed at this point in the Record an excerpt from the committee report which sets forth the purpose, background, and explanation of the bill.

There being no objection, the excerpt from the report (No. 1831) was ordered to be printed in the Record, as follows:

PURPOSE

The general objective of this bill is to expand Federal assistance in the field of civil defense. In furtherance of such an objective, the bill would make the following changes in existing procedures:

1. The declaration of policy in the Federal Civil Defense Act would be changed to declare that the responsibility for civil defense shall be vested jointly in the Federal Government and the several States and their political subdivisions. The responsibility now is primarily that of the States and their subdivisions with the Federal Government providing coordination and guidance.

2. The Federal Government would be authorized to purchase radiological instruments and detection devices such as Geiger counters and to grant them to the States.

3. A prohibition against Federal financial contributions to States for civil-defense personnel and administrative expenses or for personal equipment for State and local civil defense workers would be repealed.

4. A limitation of \$100,000 on amounts authorized to be appropriated annually for travel expenses and per diem allowances for attendance at civil-defense schools or classes would be repealed. A new limitation of \$300,000 per year is established and a new requirement that the States must pay one-half of these expenses is prescribed. The total cost is now borne by the Federal Government within the limitation of \$100,000.

5. Construction projects financed with the assistance of Federal funds would be made

subject to the Davis-Bacon Act. Employees on these projects would have to be paid time and one-half for overtime work in excess of 8 hours a day or 40 hours a week.

BACKGROUND AND EXPLANATION

The bill is a consolidation of two legislative proposals of the Federal Civil Defense Administration that are a part of the President's program. The bills reflect House amendments that are explained later in the report.

Division of responsibility

Since enactment of the Federal Civil Defense Act of 1950, the subject of the proper division of responsibility for national civil defense has been considered by many groups, committees, and organizations, including the Committee on Intergovernmental Relations and the 1956 governors conferences. Most of the recommendations resulting from such consideration suggest that the Federal Government should assume primary responsibility in this field. The Federal Civil Defense Administration, however, considers that State and local efforts are of such importance that the responsibility for civil defense should be declared a joint one between the Federal Government and the States and their political subdivisions. Accordingly, this bill would amend the Congressional declaration of policy and intent to make the responsibility a joint one.

Grants of radiological instruments and detection devices

Under section 201 of the act, the Federal Civil Defense Administrator now has authority to procure materials and facilities and to place them where they might be most useful in an emergency. This authority is not broad enough to authorize the grant of radiological instruments, detection devices, protective masks, gas detection kits, and similar equipment to the States. This authority would be granted by the bill to provide for a more extensive national program for defense against radioactive fallout.

S. 315 of the 85th Congress, a bill introduced by Senator SMITH of Maine, proposes to confer the authority contemplated by this part of the bill.

The Administrator would be authorized to prescribe the terms and conditions governing transfer of the instruments. These terms and conditions would prescribe standards of care, maintenance, storage, and training in the use of the instruments.

The authority to grant radiological instruments and similar devices is limited to a 5-year period and not more than \$35 million may be appropriated for this purpose in any one year.

Federal assistance to States for personnel and administrative expenses

A proviso in the Federal Civil Defense Act prohibits Federal contributions for State or local personnel and administrative expenses or for items of personal equipment for State or local workers. Section 4 of the bill would provide specific authorization for Federal financial assistance to the States for these purposes. This authority is desired because of a conclusion that the development of an adequate civil-defense capability at local levels requires a staff of experienced, trained, full-time specialists, at least in the top positions, in each civil-defense organization. Most of the States and their political subdivisions have considered that they were unable by themselves to support and maintain such a civil-defense staff.

Elimination of the restriction against contributions to the States for the cost of personal equipment for State and local civil-defense workers is desired primarily to permit the Federal Government to bear a part of the cost of providing uniforms. It is anticipated that these uniforms would be limited to persons performing police, fire, and rescue work in order that they might be

readily identifiable by the general public in an emergency. Failure of such recognition has resulted in confusion during test exercise. The problem has been acute in connection with traffic control.

Federal assistance for administrative and personnel expenses and for items of personal equipment would still be subject to a 50-percent contribution toward these costs by the States and local governments.

To be eligible for Federal assistance for personnel and administrative expenses the States must submit plans to the Administrator, including the following minimum standards:

1. The plan must be statewide and administered by a single State agency.

2. The States will share the costs from any source determined to be consistent with State law. (This permits division of costs between States and political subdivisions.)

3. Provision must be made for development of State and local civil-defense operational plans.

4. There must be a full-time State civil-defense director or deputy director and State civil-defense employees must be under a merit system.

5. The State must make such reports as may be required by the Administrator.

6. Records must be made available for audit by the Administrator and the Comptroller General.

Criteria for allocations of Federal funds for these purposes would be established by the Administrator. These factors must be considered in making allocations: (1) Criticality of target and support areas in relation to the total national defense readiness; (2) the relative civil-defense development of the State; (3) population; and (4) such other factors as the Administrator may consider appropriate.

Authority for contributions to the States for local personnel and administrative expenses and for items of personal equipment for State or local workers is limited to 5 years. Appropriations for personnel and administrative expense contributions may not exceed \$25 million per year during this period, and appropriation for items of personal equipment for State and local civil-defense workers may not exceed \$2 million per year during this period.

Elimination of limitation on travel expenses and per diem allowances

Public Law 928, of the 84th Congress, amended the Federal Civil Defense Act to authorize the Administrator to pay travel expenses and per diem allowances to students attending civil-defense schools. This law also placed a limitation of \$100,000 on the amounts authorized to be appropriated annually for this purpose. The bill repeals the \$100,000 limitation but establishes a 5-year limitation on the duration of this authority and a \$300,000 maximum on amounts that may be appropriated for this purpose in any one year during the 5-year period.

This repeal is sought because of plans to expand the Federal program under which students are trained to return to the States and cities as instructors.

Applicability of Davis-Bacon Act

The Davis-Bacon Act would be made applicable to civil-defense construction financed with the assistance of Federal grants. This act provides that laborers and mechanics employed by contractors or subcontractors under Federal contracts for construction must be paid at rates not less than the prevailing wages on similar construction in the locality involved as determined by the Secretary of Labor. Moreover, these construction employees would have to be paid time and one-half for work in excess of 8 hours per day or 40 hours per week.

Under the civil-defense program contemplated at present, the applicability of these provisions would not be extensive since major construction is not now foreseen. The Davis-Bacon Act and the fair labor standards provisions would be applicable to the program for control centers, however, and for any other programs involving construction.

COMPARISON OF BILL AND FCDA PROPOSALS

The bill as it is now drawn reflects House amendments to the proposals by the executive branch.

It was proposed that the Federal Government's contributions for so-called capital expenditures not be subject to the requirement that the States must contribute 50 percent of the cost. Instead, the Federal Government would have been authorized to defray as high as 100 percent of the cost of construction for such items as shelters. This proposal was rejected as not being consistent with the concept of joint responsibility for civil defense.

Another House amendment relates to Federal contributions to the States for personnel and administrative costs. The House language provides that the Federal contributions are not to exceed 50 percent instead of prescribing that the Federal contribution would be 50 percent.

Still another change from the executive proposals is the requirement that the States must bear 50 percent of the cost of travel and per diem allowances for persons attending civil defense schools.

COST DATA

Printed below are estimates of appropriations requests for the next 5 years on the basis of authority contained in the bill. Since committee amendments limit yearly appropriations under section 3 (a) to \$300,000; under section 3 (b) to \$35 million; under section 3 (c) (1) to \$2 million; and under section 4 to \$25 million, the appropriations requests for fiscal years 1962 and 1963 may not exceed \$62,300,000, instead of the estimates shown in this tabulation.

The appropriations request for fiscal year 1959 will be slightly more than \$19 million for the programs involved in this bill.

Mr. CURTIS. Mr. President, will the Senator from Nevada yield to me?

Mr. BIBLE. I yield.

Mr. CURTIS. Is it the understanding of the Senator from Nevada that the bill has been reported unanimously from the Armed Services Committee?

Mr. BIBLE. It is my understanding that the bill has been reported unanimously from that committee, and that the bill has the support of both sides of the aisle.

Mr. CURTIS. I thank the Senator from Nevada.

The PRESIDING OFFICER. Without objection, the committee amendments will be considered en bloc.

The question is on agreeing to the committee amendments.

The amendments were agreed to.

Mr. SALTONSTALL. Mr. President, as I am compelled to leave the Chamber, I ask unanimous consent that a statement prepared by me on the bill be printed in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR SALTONSTALL

A general statement of the purpose of this bill is that it would expand Federal assistance in the field of civil defense. This ex-

pansion of Federal assistance would occur in the following areas:

(1) The declaration of policy in the Federal Civil Defense Act would be changed to make the responsibility for civil defense a joint one between the Federal Government and the several States and their political subdivisions.

(2) Federal matching funds of up to 50 percent toward the cost of personnel and administrative expenses and of personal equipment for State and local civil defense workers would be authorized.

(3) The Federal Government would be authorized to purchase radiological instruments and detection devices such as Geiger counters and to grant them to the States.

(4) A limitation of \$100,000 on amounts appropriated annually for travel expenses and per diem allowances of persons attending civil defense schools would be increased to \$300,000 and the States would be required to bear one-half of these expenses.

The new authorization would be limited to a period of 5 years and the committee has prescribed maximums that may be appropriated for each of the new authorities granted by the bill.

When the Federal Civil Defense Act was being considered originally the State governors urged that civil defense be made the primary responsibility of States and cities. The development of the H-bomb and the increased dangers of radioactive fallout made it apparent that civil defense problems were national in scope and that Federal Government would have to assume more responsibility for financing it. Greater Federal responsibility has been recommended by Congressional committees, governors, mayors, and associations of State and local directors. This bill embraces that concept.

One of the new authorities contained in this bill is that permitting grants to the States of radiological detection instruments. By now there is a general awareness of the dangers in radioactive fallout. Knowledge of the presence and intensity of fallout could, in the event of attack, save millions of lives that otherwise would be needlessly lost.

The Independent Offices Appropriation Acts of 1956 and 1957 contained language that authorized the donated or loan to States and cities of radiological detection instruments. The senior Senator from Maine, Mrs. SMITH, introduced a separate bill, S. 315, that would confer the same authority contemplated by this part of the bill.

This authority would be effective for 5 years and the committee has prescribed a maximum of \$35 million that may be appropriated for this purpose in any one year.

The second major new authority proposed by the bill is for Federal matching funds of not more than 50 percent toward the cost of personnel and administrative expenses of State civil-defense employees and for items of personal equipment for State and local civil-defense workers.

This part of the bill has been described as the heart of the proposal.

In more than one-half of the States there are less than 12 full-time civil-defense employees. Almost one-fourth of all trained professional civil-defense employees are concentrated in three States. While there are many civil-defense volunteers, their services may not be used effectively without a nucleus of trained leaders available for civil defense or national disaster relief activities such as floods, hurricanes, fires, and tornadoes.

The authorization for matching funds toward State civil-defense administrative and personnel expenses is intended to provide the hard core of trained leaders needed to direct volunteers and to implement survival plans.

The committee amendments limit the duration of this authority to 5 years and prescribe a maximum of \$25 million that may

be appropriated for this purpose in a single year.

To be eligible for grants under this program States must have approved civil defense programs consistent with the national plan, the plan must be statewide and administered by a single State agency, employees must be under the merit system, and there must be a full-time civil defense director, or deputy director.

The criteria for allocations of Federal funds would be established nationally. In making allocations these factors must be considered: (1) the criticalness of target and support areas in relation to the total national defense readiness; (2) the relative civil defense development of the State; (3) population; and (4) such other factors as the Administrator may consider appropriate.

The authorities for contributions to the States for the cost of personal equipment for State and local civil-defense workers is limited to \$2 million a year and to a period of 5 years. This authority is sought in order that the Federal Government may bear a part of the cost of providing uniforms. It is anticipated that these uniforms would be provided for persons performing police, fire, and rescue work in order that they may be readily identifiable by the general public in an emergency.

There now is authorization for the Federal Government to appropriate \$100,000 annually to defray travel expenses and to pay per diem allowances of persons attending civil-defense schools conducted by the Federal Government. This limitation of \$100,000 would be increased to \$300,000 and this authority would terminate after 5 years. At the same time the State governments would be required to pay one-half of the cost of these travel expenses and per diem allowances.

Under the civil-defense program now contemplated, major construction is not now foreseen. The bill, however, would make the Davis-Bacon Act applicable to civil-defense construction financed with the assistance of Federal grants and employees on civil-defense construction would have to be paid time and a half for work in excess of 8 hours per day or 40 hours per week.

The bill is a consolidation of two legislative proposals by the Federal Civil Defense Administration and it is a part of the President's program.

The first year cost is estimated to be slightly more than \$19 million. Under the limitations established by the committee the maximum cost in any 1 year could be \$62,300,000.

The PRESIDING OFFICER. If there be no further amendment to be proposed, the question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed, and the bill to be read a third time.

The bill (H. R. 7576) was read the third time and passed.

AGRICULTURAL ACT OF 1958

Mr. BIBLE. Mr. President, at this time I yield to my good and distinguished friend, the senior Senator from Louisiana [Mr. ELLENDER], the chairman of the Committee on Agriculture and Forestry, who is to make a most important motion.

Mr. ELLENDER. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1801, Senate bill 4071.

The PRESIDING OFFICER. The bill will be stated by title, for the information of the Senate.

The LEGISLATIVE CLERK. A bill (S. 4071) to provide more effective price, production adjustment, and marketing programs for various agricultural commodities.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Louisiana.

The motion was agreed to; and the Senate proceeded to consider the bill.

Mr. BIBLE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. (Mr. TAMMAGE in the chair). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BIBLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from Louisiana is recognized.

Mr. ELLENDER. Mr. President, I am very glad that the Senate has finally reached S. 4071, the so-called farm bill. The Committee on Agriculture and Forestry spent many days, going back to last January, hearing testimony from spokesmen representing all segments of the farm economy in an effort to get an acceptable bill before the Senate.

I would like to say at the outset that the bill which is now before the Senate does not cover all commodities, as some of us predicted early this year. After the committee had conducted hearings for a number of weeks, it became apparent to us that we could get nowhere in trying to present to the Senate an omnibus bill which would deal with all commodities, particularly milk, dairy products, and wheat. In the course of its consideration of which commodities were to be included in the bill, the committee decided to deal only with those commodities which needed assistance the most.

The laws pertaining to wheat as they are now on the statute books will remain. This means that wheat has a 55 million minimum acreage. Price supports on wheat remain at levels ranging from 75 to 90 percent of parity, depending on supply.

Dairy products are not included in this bill. This is because, as we know, the production of milk is unlimited. No restrictions are currently imposed upon the production of milk. The support price for milk and dairy products will remain at 75 to 90 percent of parity.

Price supports on tobacco remain the same, as well as price supports on peanuts, since neither of these commodities are included in the bill.

Those commodities which offered the committee compelling reasons for immediate consideration for amending the agricultural law were cotton, rice, corn, and feedgrains.

In the case of cotton, by December 31 of this year, the present law guaranteeing to small family producers of cotton a 4-acre minimum will expire. The provisions for national and State minimum cotton acreage allotments also expire this year. We are told that unless action is taken by the Congress, the national acreage for cotton for the coming crop

year will be reduced to a maximum of 14.2 million acres.

Mr. President, the Senate Agriculture Committee has taken the position that if the national cotton acreage is reduced to such an amount and if the present provision which gives the Secretary of Agriculture authority to grant small farm guaranteed acreage is not extended, a very serious social problem will face our Nation. What the committee has attempted to do is to fix a floor for cotton acreage of not less than 16 million acres. We have also provided a formula whereby the cotton farmer who cultivates 10 acres or less of cotton will not find his acreage cut further.

Mr. ROBERTSON. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Louisiana yield to the Senator from Virginia?

Mr. ELLENDER. I yield.

Mr. ROBERTSON. The junior Senator from Virginia understands there is no allotment of cotton acreage in Virginia in excess of 10 acres. Do I correctly understand that under the provisions of the bill no cotton farmer in Virginia would receive a cut in his acreage?

Mr. ELLENDER. The Senator is correct.

Mr. President, I wish to emphasize that unless the Congress acts on this bill immediately a serious social, as well as economic problem will stalk our land. Unless we have action on this bill hundreds or even thousands of small cotton growers throughout Georgia, Louisiana, Tennessee, Virginia, and other States will probably be forced to abandon their farms since they will be unable to make a living on drastically reduced acreage.

Where will they go? To the cities to join the already lengthy lines of the unemployed at the expense of our Government? What will happen to these people?

No, Mr. President, we must make some provision to protect the small family farmer—the backbone of our country's farm economy.

In order to guarantee the cotton farmer who cultivates 10 acres or less the same acreage he received in 1958, we have provided an additional 310,000 acres. If we add the 310,000 acres to the 16 million acre minimum national allotment provided in the bill, it will be seen that the measure actually provides a national minimum cotton acreage of roughly 16.3 million acres.

I wish to add, Mr. President, that the price supports for cotton would continue to be determined under existing law, insofar as those farmers who remain within their allotments are concerned. However, in order to encourage the production of more cotton, which is now necessary—and the record is replete with testimony to that effect—we have made it optional with all cotton farmers for 1959 and 1960 that if they desire to increase their acreage by as much as 40 percent they may do so, but in so doing the support price they receive will be reduced 15 parity percentage points.

For example, if the Secretary of Agriculture should fix the 1959 support level for cotton at 85 percent of parity, cotton farmers who do not desire to take advantage of the authority for a 40 percent increase in acreage would receive price support at that level, that is, 85 percent of parity. Those farmers who desired to plant more acres would be permitted to do so up to a maximum of 40 percent above their allotment. Their price support would be reduced 15 points, and would be set at 70 percent of parity.

Mr. President, as I said, that is an optional provision for the cotton farmer, and would be applicable during the 1959 and 1960 crop years.

One thing I wish to stress about the bill is that it places a floor on the acreage for cotton. The bill puts cotton in the same position in which wheat now finds itself.

Mr. President, I ask unanimous consent to have printed in the RECORD at this point a short explanation of title I of the bill, which deals exclusively with cotton.

There being no objection, the explanation was ordered to be printed in the RECORD, as follows:

With respect to cotton, title I provides for—

(1) A program for upland cotton for 1959 and 1960 under which producers could elect to take a 40 percent increase in their acreage allotments coupled with a 15 percent of parity reduction in price support. Price support for those not taking the lower support would be by purchase only, and Commodity Credit Corporation would be required to sell cotton at not less than 110 percent of the lower support (sec. 101);

(2) Upland and extra long staple cotton price support after 1960 at 90 percent of their respective average market prices for the preceding 3 years, but not less than 30 cents per pound for Middling inch in the case of upland cotton (sec. 102);

(3) Minimum upland cotton marketing quotas after 1960 adequate to assure a stable supply to meet world needs, but not less than the "larger" of (i) domestic consumption and exports less 1 million bales, or (ii) 10 million bales (sec. 103 (1));

(4) A minimum national upland cotton acreage allotment of 16 million acres, with each State sharing in the national allotment in the same proportion that it shared in the national allotment in 1958 (subject to adjustments pursuant to section 344 (k) of existing law) (sec. 103 (2));

(5) A new formula for computing national marketing quotas for extra long staple cotton after 1960, designed to minimize the effect of carryover. (At present the formula provides for a quota adequate to make available a normal supply, taking the estimated carryover and imports into account. Normal supply is measured by domestic consumption and exports, plus an allowance for carryover. The bill provides for a quota equal to domestic consumption and exports, less imports, plus the additional quantity necessary to assure adequate stocks in trade channels without resort to Commodity Credit Corporation stocks. Thus the bill provides that carryover shall be taken into account only to a limited extent and only in determining the quantity (additional to domestic consumption and exports) needed to assure adequate working stocks) (sec. 103 (3));

(6) Use of a 3-year adjusted yield instead of a 5-year yield in converting the national marketing quota to a national acreage allotment (sec. 103 (4));

(7) Permanent extension of the small farm cotton allotment provisions of existing

law, with amendments to (A) increase the national reserve to meet States needs for acreage to establish minimum farm allotments to 310,000 acres; (B) increase the minimum farm allotment to 10 acres or the 1958 allotment, whichever is smaller; and (C) permit estimation of States needs after 1959 in order to save the cost of making a trial allotment to determine such needs (sec. 104);

(8) Allotment of such further acreage as may be necessary to increase each farm acreage allotment to the prescribed minimum, with provision that no part of the additional acreage allotted to States, counties, or farms by reason of provisions relating to minimum farm allotments shall be counted in computing their respective future allotments (sec. 105);

(9) Use of the previous year's allotment (instead of tillable acreage or history) as a base in making allotments, if that will facilitate effective administration (sec. 106);

(10) Retention of surrendered cotton acreage in the county so long as any cotton farmer desires it (sec. 107);

(11) Use of Middling 1 inch instead of Middling seven-eighths as the standard grade after 1960 (sec. 108);

(12) Effective August 1, 1961, increase of minimum prices for Commodity Credit Corporation sales of cotton for unrestricted use to 115 percent of the current support price, plus reasonable carrying charges; and exemption from this requirement of a quantity equal to that by which the national marketing quota is less than domestic consumption and exports (sec. 109);

(13) Express preservation of the cotton export sales program provided for by section 203 of the Agricultural Act of 1956 (sec. 110).

Mr. ELLENDER. Mr. President, another commodity with which the bill deals is rice. Rice is in the same category as cotton insofar as acreage is concerned. Today, the rice acreage is about 1,650,000 acres. Unless something is done by the Congress at the present session it is estimated that rice acreage will be reduced to 900,000 acres—in other words, rice acreage would be cut almost in half. Anybody who knows anything about farming knows very well that in those circumstances many rice farmers, particularly the smaller rice farmers, would be compelled to go out of business.

Rice farmers have equipment which is very expensive. Unless they can obtain sufficient acreage on which to use such expensive machinery and equipment, they are bound to go out of business.

In other words, in the case of rice, the minimum national and State acreage allotment provisions of the Agricultural Act of 1956 expire with the 1958 crop. The minimum national acreage allotment provided by that act is 1,652,596 acres. Without such minimum, the national allotment for 1959 would be less than 1 million acres. The bill would extend the national and State minimum allotments on a permanent basis.

For 1959 and 1960 the price support for rice would be between 75 and 90 percent of parity, but unlike the present law which fixes a minimum level within that range on the basis of supply conditions, the bill would give the Secretary of Agriculture complete discretion within this range. Beginning in 1961, the support for rice, like cotton, would be fixed without regard to parity at 90 percent of the average market price for

the preceding 3 calendar years, but not less than \$4 per hundredweight.

Mr. President, I ask unanimous consent to have printed in the RECORD at this point, as a part of my remarks, a brief explanation of title III, dealing with rice.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

TITLE III—RICE

Section 301. Extension of provision for minimum national and State rice acreage allotments: Section 301 extends on a permanent basis the national and State minimum rice acreage allotments which were provided by the Agricultural Act of 1956, and which expired with the 1958 crop. The national acreage allotment would be not less than 1,652,596 acres and would be apportioned among the States in the proportion that they shared in the 1956 acreage allotment, as follows:

State rice acreage allotments for 1956

Arizona.....	229
Arkansas.....	399,084
California.....	299,820
Florida.....	957
Illinois.....	20
Louisiana.....	475,094
Mississippi.....	46,683

Rice—Support prices, 1953–58 crops, compared with support prices as they would have been determined under the provisions of sec. 302 applicable to 1961 and subsequent crops

Marketing year beginning Aug. 1	Effective CCC support price			Average price per hundredweight received by farmers			
	Amount per hundred- weight	Percent of parity	Parity price on which support based	Preceding calendar year	Average for 3 calendar years preceding beginning of market- ing year	90 percent of average for 3 preceding calendar years	
						Amount	Percent of parity
1953.....	\$4.84	90.0	\$5.38	\$5.87	\$5.26	\$4.73	87.9
1954.....	4.92	90.0	5.47	5.19	5.29	4.76	87.0
1955.....	4.66	85.0	5.48	4.57	5.21	4.69	85.6
1956.....	4.57	82.5	5.54	4.81	4.86	4.37	78.9
1957.....	4.72	82.0	5.75	4.86	4.75	4.27	74.3
1958.....	4.33	75.0	5.77	5.06	4.91	4.42	76.6

¹ Minimum support rate which may be increased if a combination of the rice parity price as of Aug. 1, 1958, and the supply percentage as of that date requires a higher level of support.

Mr. ELLENDER. We come now to the last commodities with which this bill deals, namely, corn and other feed grains.

One of the commodities which has given most concern to the committee has been corn. In the production of corn, unlike the production of cotton and rice, there are no penalties for farmers who fail to remain within their allotments. When allotments are made, comparatively few farmers comply with the allotments, the reason being that in the past the Secretary of Agriculture has made price support available not only for corn farmers who comply with allotments but also for noncompliers. Efforts have been made in the past 3 or 4 years to remove acreage allotments. Today the Senate has an opportunity to do that very thing.

The bill as it now stands would do away with the so-called commercial corn area. Corn produced in all parts of the United States would be treated similarly. The formula for price support would be changed, beginning with the crop year 1959.

I ask unanimous consent that there be printed at this point in my remarks a brief explanation of the provisions of

State rice acreage allotments for 1956—Con.

Missouri.....	4,580
North Carolina.....	29
Oklahoma.....	149
South Carolina.....	2,847
Tennessee.....	517
Texas.....	422,390

Total apportioned to States..... 1,652,399
Unapportioned National reserve..... 197
United States total..... 1,652,596

Source: USDA 3534-56-5.

Section 302. Rice price support: Section 302 (a) repeals the so-called escalator clause under which the minimum support level for rice would be determined on the basis of the supply percentage, and provides that the 1959 and 1960 crops of rice will be supported at such level between 75 and 90 percent of parity as the Secretary may determine after considering the factors set out in section 401 (b) of the Agricultural Act of 1949.

Section 302 (b) provides that the 1961 and subsequent crops of rice shall be supported at 90 percent of the average price for the 3 calendar years preceding the marketing year applicable to the crop, but not less than \$4 per hundredweight. The following table contains a comparison of support prices and market prices for past years and shows what the support price might have been for any one of the years 1953 to 1958 if section 302 (b) had been made applicable in that year.

the bill dealing with corn and feed grains.

There being no objection, the explanation referred to was ordered to be printed, as follows:

TITLE II—CORN AND FEED GRAINS

Section 201. Discontinuance of corn acreage allotments: Section 201 provides that corn acreage allotments and a commercial corn area will not be established for the 1959 and subsequent crops. There are no marketing penalties for corn, so that corn acreage allotments are enforced through denial of price support and denial of soil-bank payments. Furthermore, there are no minimum allotments for corn, so that at present the corn producer is faced with the choice of receiving price support for an inadequate acreage of corn or receiving no price support for corn produced on a larger acreage. Coupled with the fact that corn is largely fed on the farm where produced, this situation has resulted in widespread disregard of corn acreage allotments. In 1957 only 38.6 percent of the farms which received corn acreage allotments complied with their allotments. In 1957, with an allotment of 37,283,889 acres in a commercial area consisting of 894 counties, 52,733,620 acres were planted in the commercial area and 5,233,478 acres were put in the corn acreage reserve. In 1958 the commercial area has been

expanded to include an additional 38 counties, making 932 counties in all. The acreage allotment for this expanded commercial area for 1958 is 38,818,381 acres. The acreage planted in these 932 counties in 1957 was 54,237,000 acres, which, with the acreage placed in the corn acreage reserve in 1957 makes a total of 59,470,478 acres planted or placed in the acreage reserve. With this potential corn acreage of 59,470,478 acres, producers generally cannot afford to comply with an acreage allotment of 38,818,381 acres in order to obtain price support on the reduced production.

Corn and feed grains presented one of the most troublesome problems in the consideration of the Agricultural Act of 1956, and these commodities have been the subject of serious legislative concern and consideration in 1957 and again this year when the committee reported out S. 3441, which is now on the calendar. It appears that acreage allotments will not work for corn and that it will be fairer to all corn producers to discontinue them.

Section 202. Price support for corn and feed grains: Section 202 provides price support for corn at 90 percent of the average price received by farmers for the 3 calendar years ending last before the marketing year for the crop, but not less than \$1.10 per bushel. In determining the average price, adjustment would be made to offset the effect of any abnormal quantities of low-grade corn.

Section 202 also makes price support mandatory for oats, rye, barley, and grain sorghums at a fair and reasonable level in relation to corn, but not less than 60 percent of parity. The 1957 crops of these commodities were supported at 70 percent of parity.

Section 203. Repeal of provision for corn price support in the noncommercial area: Section 203 repeals the provision for a lower rate of price support on corn outside the commercial area. This supplements section 201, which provides for discontinuance of the commercial area.

Mr. ROBERTSON. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. ROBERTSON. In the State of Virginia there are only 15 counties listed as commercial-corn producers. Under the present law, farmers in those counties can receive the support, and the others cannot. What would be the effect of the proposed change in all the counties of Virginia?

Mr. ELLENDER. All the counties of Virginia would receive the same support as the 15 counties now considered to be in the commercial area.

Mr. ROBERTSON. What would that be?

Mr. ELLENDER. It would be 90 percent of the average price for the past 3 years, but not under \$1.10 a bushel. That is the floor.

The support prices of other feed grains would be fixed in relation to their feed value as compared with corn, for one thing. We have a situation in which sorghum feed today has a feeding value almost as high as that of corn. Relatively speaking in that case the support price of sorghum would be almost as high as that for corn.

Mr. MUNDT. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. MUNDT. I think this is as good a place as any to "button down," for the legislative history which will govern the administration of the bill if it becomes

a law, the fact that the committee spent a great amount of time and gave a great amount of thought to trying to draft legislative language which would assure that 90 percent of the average price received by the farmer for corn would be related to high-grade corn. We did not want the farmer to suffer in any way from the fact that, upon occasion, there is a crop of wet corn or soft corn, or corn the quality of which, for some other reason, may be deficient. As a consequence, it sells below the market price.

We gave serious consideration at one time to the adoption of an amendment which I drafted, which would have changed the average price of corn to meet the average price received by farmers for corn related to No. 2 corn in the Chicago market.

Representatives of the Department felt that that would make the administration too complicated, but they did agree with us—and this is the point which I wish to establish for the RECORD—that that is the type of thing they would have in mind, namely, that the price of corn for the past 3 years, for which the new floor would guarantee the farmer at least 90 percent, or \$1.10 a bushel, whichever was higher, would be related to a grade, type, and character of corn which normally would be produced in a good growing season, and that there would be no penalty, no deduction, and no loss of any kind to the farmer because of a low standard quality of corn which might have prevailed in any of the 3 marketing years. Will the chairman add some reassuring language of his own to show that this is the legislative history, and that is what the committee had in mind?

Mr. ELLENDER. That is exactly what the committee had in mind. The Senator well remembers that this year there has been a great deal of wet corn. The committee felt that corn of that character should not be taken into consideration in fixing the average price, but that only good merchantable corn should be taken into consideration.

Mr. MUNDT. Precisely. What we are doing is guaranteeing the farmer 90 percent of the average market price of corn under good normal growing conditions.

Mr. ELLENDER. Good merchantable corn is the standard.

Mr. MUNDT. That is correct. It is not meant to relate the 90-percent price support guaranty to the actual sales conditions involving corn over the past 3 years, but rather that it should be related to the price which would have been received had the farmer been able to take to market a good standard grade of corn.

Mr. ELLENDER. That is correct.

Mr. LANGER. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. LANGER. I should like to ask the distinguished Senator from South Dakota whether or not all of South Dakota is in the commercial area?

Mr. MUNDT. No. A number of counties are in the commercial area and a number are not, although more counties in the great agricultural State of South

Dakota are in the commercial corn area than is the case in Virginia, where more cotton and tobacco is raised than we raise in South Dakota.

Mr. ELLENDER. Any county which is not now in the commercial area in the Senator's State will receive the same price for corn produced there as is received for corn produced in the commercial area. No distinction will be made.

Mr. LANGER. There will be no 25 cent differential.

Mr. ELLENDER. That is correct.

Mr. MUNDT. All corn will be treated alike, and all counties will be treated alike.

Mr. SYMINGTON. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. SYMINGTON. Let me say to the distinguished chairman of the committee that there is one point which worries me with respect to the corn situation. Is it not true that if we operate on the basis of 90 percent of the average price received in the preceding 3 years, in effect we shall go off the parity principle with respect to corn?

Mr. ELLENDER. The Senator is correct, except that, in effect, we retain the parity principle by providing that the price of corn shall not be less than \$1.10 per bushel. As to all other grains, 60 percent of parity would be a floor.

Mr. SYMINGTON. Does that include corn?

Mr. ELLENDER. As I have said, it includes corn indirectly. The price of corn cannot be under \$1.10. That is about 62 or 63 percent of parity as of today. The \$1.10 floor beneath the support price for corn is not expressed as a percentage of parity, but it can always be related to parity. As to other grains, the distinguished Senator from North Dakota raised the point in committee that we ought to establish some kind of floor. What we did was to provide that the minimum price support for other feed grains could not be less than 60 percent of parity.

Mr. SYMINGTON. Is it not true that actually there is no price support related to parity with respect to corn, but only the \$1.10 floor? This means less and less, as the value of the dollar declines. In the last 6 to 8 months the value of the dollar has declined 2 percent. If the drop continues, we may find that the \$1.10 price support for corn will actually be a price, from the standpoint of parity, considerably less than the estimated 60 percent.

Mr. ELLENDER. The parity formula itself is also affected by such factors, I might say to my good friend from Missouri. It is a complicated formula. In my humble judgment, although the minimum price floor on corn is \$1.10, dollar-wise, it would seem to me that there is little likelihood that it would be less than 60 percent of parity. I hope that it never represents less than 60 percent of parity. I might also point out that the dollar-and-cents minimum would apply to all corn grown in the United States, without regard to any artificial commercial corn area, and without acreage controls. If I were a corn farmer, I would not ob-

fect to a lower support price for corn in return for authority to plant unlimited acreage. I feel sure the cotton or rice farmers in my State would be happy to receive price support at 60 percent of parity if they could plant all the cotton or rice they desired and receive price support on their total production at that level.

Mr. SYMINGTON. Is it not true that there is already considerable discussion about the desirability of eliminating the \$1.10 provision, and that at a press conference the other day the Secretary of Agriculture recommended that the minimum dollar figures be eliminated?

Mr. ELLENDER. Let me be frank with my good friend and say that I do not know.

Mr. SYMINGTON. I believe he said he had serious misgivings concerning the floors. He recommended that the cotton and rice floors be lowered.

Mr. ELLENDER. Probably lowered, but not eliminated.

Mr. SYMINGTON. Is it not a fair statement to say that the premise of \$1.10 minimum price support on corn has no connection to parity? Is this not an attempt to eliminate the concept of parity with respect to corn immediately and later on with respect to other agricultural products?

Mr. ELLENDER. As I indicated to my friend, the parity formula remains in effect as a floor for all feed grains except corn.

Mr. YOUNG. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. YOUNG. The 60 percent minimum support for feed grains is something new. This is the first time that we are providing minimum mandatory supports on feed grains. Up to now it has been optional. It is true that 60 percent is a very low support. However, it is better than nothing.

Mr. ELLENDER. Under present law, the minimum support level for feed grains is zero.

Mr. SYMINGTON. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. SYMINGTON. I should like to ask the distinguished Senator from North Dakota if he believes that the 60-percent figure on other feed grains is a fair price to the farmers of America.

Mr. YOUNG. Personally, I should like to see it considerably higher. It would be wiser to set it higher. However, I do believe it cannot be done at this time, and that this is the best we can do.

Mr. SYMINGTON. In my State the price on wheat is about 78 percent of parity. Would the distinguished Senator be willing to reduce the support on wheat to 60 percent of parity along with feed grains?

Mr. YOUNG. An entirely different situation obtains with respect to wheat. Any farmer can plant 15 acres of wheat and market it free of penalty. In other words, he gets a free ride to that extent. The commercial wheat farmers must abide by quotas, which means a cut of about one-third in their allotment. The feed grain producers have no such provision applied to them.

Mr. SYMINGTON. Is the Senator willing to have applied to wheat the same general theory of price supports at 90 percent of the average price during the 3 previous years?

Mr. YOUNG. No; I am not. However, I believe feed grains are in a little different category, in that most of them are fed. I do not like the concept of providing price supports based on 90 percent of the average price of the previous 3 years and departing from the concept of parity.

Mr. SYMINGTON. Let us forget feed grains for a moment. Let us talk about cotton. After 2 years, under the provisions of the bill, the cotton farmers of my State will also be on the basis of 90 percent of the average price during the previous 3 years. Is that not applicable to wheat?

Mr. YOUNG. I am far from an authority on cotton. If the Senators from the cotton-producing States agree to that program, I am perfectly willing to go along with it. I believe there is a minimum price provision for cotton in the bill.

Mr. SYMINGTON. There is—30 cents per pound. My only point in bringing up the discussion is that it seems to me that we have before us a bill which contains provisions dealing with cotton, some on corn and feed grains, and a program for rice. There is nothing in the bill about dairy products, and nothing about any other products. It worries me a great deal, because the farm representatives in my State are worried about the other products that are not being considered in the bill.

In addition to that, they are worried about the obvious intention on the part of the Department of Agriculture to get away from the parity principle. I believe it is fair to say that that is the desire of the Department of Agriculture. If we pass the bill in its present form, we would go a long way toward satisfying that aim.

Mr. ROBERTSON. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. ROBERTSON. With respect to the effect of the bill on corn producers of Virginia, the junior Senator from Virginia has indicated that there are 15 counties in the commercial corn area. Assuming the corn farmers in those counties of Virginia received the national average of \$1.36, the minimum the farmers could get under the bill would be \$1.10, but they could also get more. Is that correct?

Mr. ELLENDER. They could get \$1.36, if \$1.36 is 90 percent of the 3-year average price. They will get whatever price is fixed, but in no case less than \$1.10.

Mr. ROBERTSON. The present national average is \$1.36.

Mr. ELLENDER. As I recall, the evidence produced at the hearings indicated that in 1959, 90 percent of the average price for the 3 past years would not be \$1.36. At any rate, corn farmers would get whatever that price might be. It could be \$1.32 or \$1.36, \$1.20 or \$1.14, but in no case could it be less than \$1.10.

Mr. ROBERTSON. All the corn growers would get support, and those in the 15 counties of the commercial area would get only slightly less support, and perhaps not any less support.

Is it not true that if something is not done to solve the corn problem, the acreage will have to be cut back to about 38 million acres, or a cut of about 16 million acres?

Mr. ELLENDER. That is under the present law. The Secretary of Agriculture fixes an acreage allotment for corn. I think it has ranged from 36 million acres to as much as 49 million acres, if I recall the figures correctly. Because the acreage quota was so low, only 38.6 percent of the farmers of the Nation complied with it. But for those who did not comply, the Secretary of Agriculture nevertheless saw fit to fix a price support just a little lower than for those who complied. That created a very satisfactory situation for corn farmers. No penalties were imposed upon those who exceeded their quota, and, in addition, they received price support. As a result, few farmers were desirous of complying with the allotments when price support for noncompliers was only a few cents less than for compliers.

Mr. ROBERTSON. I received a letter from the Under Secretary of Agriculture, to whom I addressed an inquiry about the corn situation. I do not have the letter with me, but in it the Under Secretary indicated that without some change, a very drastic cut would have to be made in the authorized acreage for corn.

Mr. ELLENDER. I would have to read the letter to reply fully to the Senator. However, as the Senator knows, 2 years ago we tried to increase corn acreage from 36 or 39 million acres to as much as 51 million acres. That suggestion was enacted by Congress but was rejected by the farmers. Under the bill before the Senate, corn growers, no matter where they are located, would receive the same treatment, so far as price supports are concerned. In addition there would be no acreage limitation on corn as a condition for receiving price support.

Mr. SYMINGTON. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. SYMINGTON. Will the Senator comment on why he thinks there has been such a lack of conformity in the commercial corn areas?

Mr. ELLENDER. It is because the acreage allotments were very low. As I remember, they ranged from 36 million to about 49 million acres. Farmers in the commercial area alone planted as many as 56 million acres.

Mr. SYMINGTON. As I recall, the Secretary of Agriculture, after first saying that nothing would be given to noncompliers, in 1956 gave \$1.25 a bushel price support and in 1957 gave \$1.10 a bushel. Is not that correct?

Mr. ELLENDER. I do not recall the exact amounts, but I know that during the first year of the Soil Bank, compliers were to get \$1.50 a bushel, and noncompliers \$1.25. Of course, as I have pointed out to the Senate several times, that

broke the Soil Bank. Very few people complied with allotted acres. They preferred to plant all they could, because the difference between the support price paid to those who complied and that paid to noncompliers was only 25 cents a bushel.

Mr. SYMINGTON. What the Senator is really saying is that any program which ostensibly controls, but actually does not control, can only fail. I believe that when the Secretary of Agriculture said that the noncompliers would get nothing, and the compliers would get \$1.50, and then for reasons best known to himself gave the noncompliers \$1.25, he was in effect nullifying any possibility of the success of his program.

The Senator from Virginia [Mr. ROBERTSON] spoke of raising of corn in Virginia. My brother raises cattle in Virginia. He has been a farmer ever since he left college. That is all he has ever done.

If the parity principle is denied to corn and feed grains as completely as the Department of Agriculture wants to deny it, and the price continues to decline, in a relatively short time the prices of livestock will be at disastrous levels from the standpoint of the future economic welfare of the farmer.

Mr. ELLENDER. I do not like to disagree with my good friend, the Senator from Missouri, but what maintains the price for cattle is a stabilized price for corn.

Mr. SYMINGTON. I agree, if it is stabilized at a reasonable level.

Mr. ELLENDER. Exactly.

Mr. SYMINGTON. But if the prices on grain are lowered as provided in this bill—

Mr. ELLENDER. But the facts are these, as the Senator knows: Practically no attempt has been made by corn farmers to comply with allotments. The Senator from Missouri knows that.

Mr. SYMINGTON. Does the Senator think that we can avoid low livestock prices if we allow corn and feed grain prices to decline? If we are to maintain prices we need some controls. The only way to establish effective Government control is to control.

Mr. ELLENDER. We tried to impose penalties on corn in the same manner as cotton, rice, and other products, but we were never able to accomplish that feat. That was before the Senator from Missouri came to the Senate. We tried to impose the same penalties on corn noncompliers as we did on noncomplying producers of other basic crops. But we were told that corn was a commodity which was mainly marketed through livestock, meats, dairy products, and so forth, and that since corn is used mostly as feed on the farm, it is not in the same category as cotton and rice. Therefore, it escaped a penalty.

But the point I emphasize is that the number of acres of corn planted in the past has not been very much disturbed. There has been very little cutback in the acreage, particularly in the commercial areas. Farmers were permitted to, and did, plant practically all they could plant—all that they needed.

The bill imposes no acreage quotas on the production of corn and feed grains. But there is the price-support stabilizer, of which I spoke, so that it will be known that corn and feed grain will not go below a certain figure.

Mr. SYMINGTON. I have watched with great admiration the functioning of the distinguished senior Senator from Louisiana on the Committee on Agriculture and on other committees. I know he is a reasoned thinker and an able, experienced Senator. What worries me is something which, for example, is comparable to what might happen in business in the matter of patents. In the case of a patent, one either conforms or does not conform. If he does not conform, he brings about chaos so far as he is concerned.

The facts, as I understand them, are that in 1956 the Secretary of Agriculture, who may well have been desirous of proving his point by creating a form of chaos, put up \$179 million of the taxpayers' money for the Soil Bank, and justified it on the ground that doing so would reduce production. The program ended with 222 million more bushels of corn that year.

Furthermore, he or his representative made an incredible mistake, which is very difficult to understand, based upon any desire he had to have the program succeed, by not stipulating that there should be cross-compliance. As a result, many farmers in my State first got a good, healthy check for not producing corn and putting land in the Soil Bank. At the same time, in the same year, they produced on their farms more feed grain, having great nutritional value, than ever before in the history of farming.

On the basis of what I have just presented, it appears to me to be obvious that the Department of Agriculture has operated at times in an effort to make these programs costly and wasteful to the American taxpayer.

Now the Department says the way to solve the problem is not to control more adequately the programs presented, but to eliminate any concept of parity.

I very well remember the first farm talk I ever heard in the Senate, when I had the privilege to come here 5 years ago. It was made by the distinguished senior Senator from Louisiana, in which he pointed out that the total loss on the six basic commodities for the 20 years from 1933 to 1953, inclusive, was \$20 million, and that in those 20 years the total loss on all crops because of the price supports, including the approximately \$490 million loss on potatoes, was a little more than \$1 billion, and that therefore the parity principle, under a Secretary of Agriculture who believed in a "fair break" for the farmer, as against the returns to the other segments of the economy, worked most successfully for those 20 years; but under this administration, in recent years it has been, and is now, costing the American people billions of dollars annually.

Therefore, I am one who believes that if we operate and manage on the basis of the principles which worked so well between 1933 and 1953, we shall be much

better off than if we eliminate the fundamental concept of parity, namely, a fair economic return to the farmer, in relation to the economic returns to the other segments of the economy.

Mr. President, I thank the Senator from Louisiana for allowing me this time.

Basically, how can we have a guaranteed minimum wage law for labor, a guaranteed higher price of money for the bankers, and tariffs for industry, but expect the farmer to operate without any real support? That is what worries me about this proposed legislation.

Mr. ROBERTSON. Mr. President, will the Senator from Louisiana yield to me?

Mr. ELLENDER. I yield.

Mr. ROBERTSON. I was very happy to hear my distinguished friend, the Senator from Missouri [Mr. SYMINGTON], say he has a brother who is in the cattle business in Virginia. I do not have to tell him or his brother or all others in Virginia who are engaged in the cattle business, which never has had a support price, that they are now on top, among all the farming groups in my State.

On the point of whether preservation of the parity price on corn will break the backs of our cattlemen, I would not presume to predict what the price of cattle will be, because many other elements, in addition to the price of corn, enter into that equation. For instance, there could be overproduction.

I wish to call attention to the fact that corn is produced in considerable quantities in all the counties of Virginia. In the 15 counties which produce enough to be classified as commercial growers, with the result that they are entitled to the \$1.36 price on a certain percentage of parity, so few farmers have ever put any corn in storage and have gotten a Government loan on it that that amount of corn does not constitute a drop in the bucket. I was surprised to find that it really amounts to virtually nothing. Either those who grow the corn did not comply, or else the corn was sold on the commercial market, because Virginia never produces as much corn as it consumes; and the same is true of wheat.

The one group of farmers who are in the best position, from the standpoint of parity, are the tobacco farmers. They have an assured 90 percent of parity. But today they are the unhappiest group of Virginia farmers, because the average Virginia flue cured tobacco allotment has gotten down to 2.9 acres. The average allotment for burley tobacco in the Southwest is now down to sixty-five one-hundredths of an acre. But no farmer can make a living from the production from 2.9 acres of land, regardless of what the parity price might be—not even if the parity price were 100 percent.

I believe there is an amendment to provide 110 percent of parity for the woolgrowers. But, Mr. President, even if the tobacco farmer receives 110 percent of parity, he will not be able to make enough money farming 2.9 acres to be able to support his family and

buy the necessary machinery and the other things which are required for economical production.

As to the effect of the proposed cut in acreage, I should like to call attention to page 9 of the committee report. I assume that the report is accurate, and I now read from it:

In 1957 only 38.6 percent of the farms which received corn acreage allotments complied with their allotments.

Mr. ELLENDER. That is the figure I gave.

Mr. ROBERTSON. In other words, only a little more than one-third of them.

Mr. SYMINGTON. Mr. President, will the Senator from Virginia yield to me?

Mr. ROBERTSON. I ask the Senator from Missouri to wait a moment, please.

The Senator stated that it was very poorly enforced, and that after they did not comply, they still were given more than was coming to them. But that is another matter.

I read further from the report:

In 1957, with an allotment of 37,288,889 acres in a commercial area consisting of 894 counties, 52,733,620 acres were planted in the commercial area and 5,233,478 acres were put in the corn acreage reserve. In 1958 the commercial area has been expanded to include an additional 38 counties, making 932 counties in all. The acreage allotment for this expanded commercial area for 1958 is 38,818,381 acres.

That is about what I said.

I read further from the report:

The acreage planted in these 932 counties in 1957 was 54,237,000 acres, which, with the acreage placed in the corn acreage reserve in 1957 makes a total of 59,470,478 acres planted or placed in the acreage reserve. With this potential corn acreage of 59,470,478 acres, producers generally cannot afford to comply with an acreage allotment of 38,818,381 acres in order to obtain price support on the reduced production.

Mr. ELLENDER. Mr. President, the Senator from Virginia has enumerated the reasons why we have removed the acreage allotments in the pending bill, and would let corn be planted without any allotment whatever. The same goes for other feed grains.

I wish to repeat what I said to my good friend, the Senator from Missouri—namely, that, in my humble judgment, what has made the price of hogs and the price of cattle stable, or, actually, rise a little, is the fact that there were stable prices for corn and other feed grains.

The pending bill would keep those prices stable.

It may be true that in the course of time there may be lower price support for corn, as expressed in percentage of parity, but it cannot go under \$1.10 a bushel.

Mr. SYMINGTON. Mr. President, will the Senator from Louisiana yield to me?

Mr. ELLENDER. I yield.

Mr. SYMINGTON. I know the Senator would not want to adopt, as an axiom, a statement that the lower the price support, the more stability.

But I would point out to the distinguished Senator from Virginia that in the case of corn there is no minimum

acreage, as there is for cotton, where the limitation is approximately 17½ million acres; or as there is in the case of wheat, for which the limitation is approximately 55 million acres.

Therefore, the national acreage allotment for corn has been reduced to a point where many farmers cannot afford to comply. In addition, if one did not comply, he would get a fairly good price, anyway. Naturally, that did not help the control.

So far as livestock is concerned, let me say to my dear friend, the Senator from Virginia, that the livestock situation in my State is the same as that in his State.

But there are other aspects of that problem which should be considered. First, we have had an extended drought; and a great many foundation herds were liquidated.

Second, the low prices and abundant supplies of feed grains are encouraging farmers to feed large numbers of cattle. Many persons are now holding cattle off the market to rebuild their foundation herds.

I believe it is interesting to note that whereas 150 years ago 90 percent of the people of the country were engaged in the production of food, the number has now been reduced until today it is only 12 percent of the population. Therefore, there has been a steady decrease in the number of persons in that occupation.

It is a fact that farm population declined more in the year 1957 than in the 30-year period between 1910 and 1940.

A recent USDA report showed that there are 16 percent more livestock on feed than there were a year ago. As soon as these cattle begin coming to market there will be a decline in livestock prices. That drop will be accelerated and accentuated in proportion to the lowering of price support on feed grains.

Mr. ROBERTSON. Mr. President, will the Senator from Louisiana permit an observation?

Mr. ELLENDER. I yield for that purpose.

Mr. ROBERTSON. When the junior Senator from Virginia is in doubt, he falls back on Thomas Jefferson's philosophy. Thomas Jefferson said, in effect, that if we turned to Washington for help we would soon look to Washington for bread. The experience of the farmers of Virginia has been that they do better when the heavy hand of the Government is not laid on them. There is no control on the production of cattle, chickens, and turkeys. Farmers who deal in them have to be efficient. The price of cattle had gotten down to 17 or 18 cents. But good cattle sold last fall for 30 cents. Before that, the price of cattle had gone up to about 30 cents. So cattle farmers have done well on the whole, except for the few city fellows who thought there was money in cattle production and decided to go in the business and bought cattle. They took a loss because they did not know the game. They bought at the peak, and then they were forced out of business. But the farmers of Virginia who have been in the cattle business through good times and bad are glad the

Government has never regulated the production of cattle, although regulation has been proposed.

The Senator from Missouri knows something about farming, as well as politics and other subjects. We do not want the Government guessing what we should do 2 or 3 years ahead. The best supported and the best administered program, which has not cost the Government anything, is the tobacco program; but tobacco farmers are becoming exceedingly restless about tobacco allotments which are constantly reduced. There is not a tobacco farmer in Virginia who now has 10 acres planted to that crop. The average is down to 2.6 acres. He is being controlled to death.

The Farm Bureau Federation in Virginia takes the position that, while they want reasonable control in view of the prices, the farmers should be allowed to operate under conditions as they used to be, and not only be given a little more personal liberty, but be permitted to do some of the guessing, rather than let the Government do it. President Woodrow Wilson said he did not want any group in Washington behind closed doors playing Providence to him. I remind the Senator that he was a great statesman. He also came from Virginia, as the Senator from Missouri knows.

Mr. SYMINGTON. Mr. President, will the Senator from Louisiana yield to me so I may ask a question of the Senator from Virginia?

Mr. ELLENDER. I yield for that purpose.

Mr. SYMINGTON. Regardless of the size of the tobacco farms in Virginia, when the Virginia tobacco farmers have been given an opportunity to vote on the question whether they would take acreage allotments and marketing quotas in order to get a higher price, they have always voted for acreage allotments and quotas in order to get the higher price. Is that correct?

Mr. ROBERTSON. That is true, but they were hoping and praying that the Government would not keep cutting down their quotas. They would vote for such controls, and then the allotments would be cut down again. Peanuts, tobacco, and cotton farmers cannot take any more cuts and keep going.

Mr. SYMINGTON. The Senator would agree, would he not, that the Virginia tobacco farmers are, in his opinion, intelligent? If we are to carry out the thought expressed by the Senator from Virginia, as I understand his line of reasoning, the farmers have consistently voted against their own interests.

Mr. ROBERTSON. The junior Senator from Virginia thinks all the farmers in Virginia are intelligent, but certain groups have done better than others financially.

Mr. SYMINGTON. Would the Senator from Virginia want to apply the same standard of Thomas Jefferson to great industries I have noticed in such fine towns as Danville, Va., where synthetics are manufactured. Would the Senator want to apply the same test to the question whether tariffs should be imposed to protect an industry in Virginia that he would apply to the farmers in

Virginia? Is it not proper for manufacturers in Virginia who face the problem of 13 cents an hour foreign labor in foreign countries to come to their Government and ask for a tariff?

Mr. ROBERTSON. The junior Senator from Virginia served for 10 years on the House Ways and Means Committee. During that time he helped write tariff legislation. He also worked on the Cordell Hull trade program. The junior Senator from Virginia has made a study of the tariff history from the Democratic standpoint.

The junior Senator from Virginia is not going to do what his friend the junior Senator from Mississippi [Mr. STENNIS] referred to when he spoke about the man from Mississippi who said he was going to write an impartial history of the War Between the States from the southern viewpoint. The junior Senator from Virginia was trying to get at the actual facts of tariff history.

At one time the only difference between the Democratic Party and the Republican Party of which I was aware was that the Republican Party was in favor of high tariffs and the Democratic Party was in favor of low tariffs. It was stated that sewing machines and other products could be made in this country and sold abroad. The better thinking among members of the Democratic Party on the subject of tariffs was that efficient industry should be protected from unfair competition. For example, if Japan where the cost of labor was low and the workmen were skillful, produced commodities which were in competition with commodities produced by us we had to have some tariff protection, on the basis that the industry was essential to the interests of this country and we did not want to crucify it. However, it had to be an efficient industry; there should not be an umbrella of absolute protection for all industry.

For that reason, I do not think the reciprocal trade program has been too well administered in the past few years. In any event, the junior Senator from Virginia voted to try it out for 3 more years. Industry is entitled to some protection. So are our farmers. But there should not be an extreme on either side.

The farm bureau in Virginia wants to minimize Government controls. We want to get away from, if we can, excessive acreage controls and decreased production in return for a very small increase in price.

Mr. SYMINGTON. Mr. President, will the Senator from Virginia yield for a further observation?

Mr. ELLENDER. I yield for that purpose.

Mr. SYMINGTON. When I first came to the Senate, in January 1953, the distinguished Senator from Georgia [Mr. RUSSELL] made a speech in which he said the percentage of the total population of the United States in the business of agriculture had been reduced to 13 percent, and, nevertheless, that 13 percent was getting only 6 percent of the national income.

A few weeks ago I had occasion to check this figure again. I found that farm population is now 12 percent. That

12 percent of the population is now getting only 3½ percent of the national income. In other words, in the 5-year period, which until recently has been a period of general prosperity for labor, banking, and industry, the position of the farmer has steadily declined to one of greater inequality. The more I have seen of the operations of the Department of Agriculture during this period of time, and particularly since I have had the honor of serving on the Committee on Agriculture and Forestry, of which the distinguished Senator from Louisiana is the chairman, the more I have become convinced that the basic problem is the determination of the Secretary of Agriculture to force the farmer into a free and open market. At the same time there is disregard for the minimum wage law, the guaranteed protection in the form of tariffs and other supports for the other segments of the economy. If this condition continues, without Congress stepping in and demanding a halt, within a few years the percentage of the population engaged in agriculture will be far less than 12 percent, and their income will be even less than 3½ percent of the national income.

I thank the Senator from Louisiana.

Mr. ROBERTSON. Mr. President, will the Senator yield for another observation?

Mr. ELLENDER. I yield.

Mr. ROBERTSON. The Senator from Virginia wants to make it crystal clear that throughout the years he has always taken the position our farmers have not had a proper share of the national income. The Senator from Virginia knew a few years ago that 13 percent of the population engaged in farming were getting 6 percent of the national income. Now the farm population is down to 12 percent. The Senator from Virginia had not seen the latest figures, but they are distressing.

The Senator from Virginia feels he may not be able to support all the multitudinous amendments, but that on the basis of the bill, as to cotton, wheat, rice—no rice is produced in Virginia—the bill would modify a little bit the support price in return for a much bigger production. In that way the farmer could get more income, and bring up his percentage of the national income. In that respect the Senator from Virginia thinks it is a good bill. It is not a question of whether the Senator from Virginia thinks business ought to have tariffs, or labor ought to have a minimum wage, and the farmer not have anything. The farmer for years has not received a just return for feeding the Nation, as well as feeding many people in foreign countries.

Mr. ELLENDER. Mr. President, it is not my desire to detain the Senate any longer, but I wish to emphasize, as I stated in my opening remarks, that the bill is essential if the producers of rice and cotton—particularly the small farmers—are to remain in business. Unless the bill is enacted into law, the cotton and rice farmers may find themselves in the same position as the tobacco farmers, as just described by the distinguished Senator from Virginia.

Let me summarize the cotton provisions briefly.

In the case of cotton the minimum national, State, and farm acreage allotment provisions of the Agricultural Act of 1956 expire with the 1958 crop. They provided for a minimum national acreage allotment of 17,391,304 acres; minimum State allotments to prevent any State from losing more than 1 percent of its share of the national allotment per year; and minimum farm acreage allotments of 4 acres or the highest acreage planted in the preceding 3 years, whichever is smaller. The total acreage allotted under these provisions in 1958 is 17,554,528 acres. In the absence of any legislation, it is estimated that the national acreage allotment for 1959 might be about 14.2 million acres and that would be the total acreage allotted. This would present both the cotton farmer and the cotton trade with a very difficult situation, especially since due to bad weather and other factors, there is already a shortage in some qualities. The bill would remedy this by providing a minimum national allotment of 16 million acres; minimum State allotments to maintain each State's relative share of the national allotment; and minimum farm allotments equal to 10 acres or the 1958 farm allotment, whichever is smaller. This last provision recognizes that while the farms having allotments of 4 acres or less have been protected from further cuts during 1957 and 1958, the larger farms have not. The bill would prevent any farm whose allotment had been cut to 10 acres or less in 1958 from being reduced further. A 310,000-acre reserve, in addition to the national acreage allotment, is provided so that States and counties may meet these small farm requirements without reducing the acreage allotments of other farmers substantially. Sufficient acreage will be provided in any event to assure every farm of the minimum allotment.

In a further move to provide more acreage for those farmers for whom efficiency of operations require larger acreage, the bill provides that for each of the 1959 and 1960 crops each farm operator may, at his election, have his upland cotton acreage allotment increased by 40 percent. In order to obtain such increase he must agree to accept price support at 15 parity percentage points below the support level determined on the basis of the existing law. The additional acreage would not count as history in the computation of future allotments. Farmers not electing to take such increase in acreage would receive price support as provided by existing law.

Beginning with the 1961 crop, the support price for cotton would no longer be determined in relation to parity, but would be fixed at 90 percent of the average market price for the preceding 3 calendar years. The support level for upland cotton would not, however, be less than 30 cents per pound for Middling inch.

With respect to rice, the bill provides for: First, permanent extension of the present minimum national and State

acreage allotments; second, price support for 1959 and 1960 at between 75 and 90 percent of parity without regard to the supply percentage; and, third, price support beginning in 1961 at 90 percent of the 3-year average price, but not less than \$4 per hundredweight.

In the case of corn, the bill discontinues acreage allotments and the determination of a commercial area completely, beginning with the 1959 crop. Also beginning with the 1959 crop, corn price support would be fixed at 90 percent of the average market price for the preceding 3 calendar years, but not less than \$1.10 per bushel. With the discontinuance of allotments there would no longer be variations in corn support prices among cooperators and noncooperators or between producers in the commercial area and producers outside such area. Only 38.6 percent of the farms receiving corn acreage allotments last year complied with them. With an allotment of 37,288,889 acres there were 57,967,098 acres planted or put into the corn acreage reserve program last year.

Support for the price of feed grains would be mandatory under the bill at levels fair and reasonable in relation to corn, but not less than 60 percent of parity. These commodities have all been supported on a discretionary basis for a number of years at levels well above 60 percent of parity.

In addition to the provisions just discussed, which are the principal provisions of the bill, the bill also provides for the following:

First, a minimum national upland cotton quota, beginning with the 1961 crop, adequate to assure a stable supply to meet world needs, but not less than the larger of 10 million bales or 1 million bales less than domestic consumption and exports.

Second, a new formula for computing extra long staple cotton marketing quotas, beginning with 1961, which would give less weight to carryover than does the present formula.

Third, use of a 3-year adjusted yield, instead of a 5-year yield, in converting national cotton marketing quotas into acreage allotments.

Fourth, authority to use the previous year's allotments as a base in making farm cotton acreage allotments. This method could be used by the Secretary if he found that it would facilitate administration. It would not affect the minimum farm allotment provisions, but would be used in lieu of the methods prescribed by sections 344 (f) (2) or (6) in allotting the remainder of the county allotment after the minimum farm allotments had been taken care of.

Fifth, retention of surrendered cotton acreage in the county so long as any cotton farmer desires it. This would prevent the county committee from surrendering to the State committee allotted acreage which had been surrendered by any farmer in the county, so long as any other cotton farmer in the county desired it.

Sixth, with the change in 1961 from parity to average market price as a basis for cotton price support, the support price for upland cotton would be based

on the average designated spot market price for Middling inch cotton and would be applied to that quality of cotton with appropriate adjustments for grade, location, and other factors. Middling seven-eighths would therefore no longer be the standard grade.

Seventh, several changes would be made with respect to the minimum price fixed by section 407 of the Agricultural Act of 1949 for the sale of cotton by the Commodity Credit Corporation. During each of the marketing years applicable to the 1959 and 1960 crops the Corporation would be directed to sell upland cotton at not less than 110 percent of the lower of the two levels of support applicable to the crop marketed in that year. This would tend to prevent the market price from rising to the higher support level and giving the farmer who had chosen the larger allotment the advantage of the higher support level as well. Effective with the beginning of the marketing year for the 1961 crop, the minimum resale price for all cotton would be increased to 115 percent of the current support level, plus reasonable carrying charges; and an amount of cotton equal to the amount by which the estimated domestic consumption and exports exceed the national marketing quota would be exempted from these resale price restrictions. This increase in the minimum resale price would tend to encourage the trade to carry the inventory needed by it, rather than letting the cotton go to Commodity Credit Corporation. Exemption from the sales price restriction of the quantity by which needs exceed the amount to be produced would tend to provide a continuous stable supply at reasonable prices.

Mr. President, the bill is a good bill—it is the best bill we can obtain under the circumstances. I urge the Senate to pass it promptly.

Mr. YOUNG. Mr. President, I call up my amendment, offered for myself and the distinguished senior Senator from South Dakota [Mr. MUNDT], identified as 6-30-58-A.

The PRESIDING OFFICER. The amendment will be stated for the information of the Senate.

The LEGISLATIVE CLERK. At the end of the bill it is proposed to add the following new title:

TITLE IV—WOOL

SEC. 401. (a) Section 703 of the National Wool Act of 1954 is amended by striking out "March 31, 1959" and inserting in lieu thereof "March 31, 1963."

(b) The first sentence of section 704 of such act is amended by striking out the proviso contained therein.

(c) Section 705 of such act is amended by inserting after the first sentence thereof the following: "In addition to the amounts appropriated by the foregoing sentence, there are hereby authorized to be appropriated such further amounts as may be necessary to carry out the purposes of this act."

Mr. YOUNG. Mr. President, I wish to modify my amendment according to a further amendment which I now send to the desk and ask to have stated.

The PRESIDING OFFICER. The Senator has a right to modify his amendment.

Mr. YOUNG. The new language appears in the blueprint.

The PRESIDING OFFICER. The modification will be stated for the information of the Senate.

The LEGISLATIVE CLERK. The following modification is proposed:

TITLE IV—WOOL

SEC. 401. (a) Section 703 of the National Wool Act of 1954 is amended by striking out "March 31, 1959" and inserting in lieu thereof "March 31, 1963."

(b) The first sentence of section 704 of such act is amended by striking out the proviso contained therein.

(c) Section 705 of such act is amended by inserting after the first sentence thereof the following: "In addition to the amounts appropriated by the foregoing sentence, there are hereby authorized to be appropriated such further amounts as may be necessary to carry out the purposes of this act; but notwithstanding any prior announcement of the support level, no price support shall be made available through payments for any marketing year (beginning with the marketing year beginning in 1959) at a level in excess of 85 percent of the parity price for the commodity as of the beginning of such marketing year, if the Secretary in his best judgment determines that the expenditures to be made by the Commodity Credit Corporation in connection with payments to producers under this title with respect to wool and mohair marketed during such marketing year will exceed the percent of gross receipts specified in the proviso of the foregoing sentence for the calendar year ending in such marketing year. The Secretary when determining the level of support to be announced in advance of the beginning of any marketing year, may estimate the parity price as of the beginning of such marketing year and the parity price so estimated shall be used and regarded as final for the purposes of the foregoing sentence."

Mr. YOUNG. Mr. President, the present law with respect to wool, which has been in operation 3 years and which we are now seeking to extend, provides for an incentive program. The law provided an incentive to encourage greater production of wool in the United States. The Secretary was permitted to support wool prices up to 110 percent of parity.

In effect the modifying language which I have offered would provide a ceiling of 85 percent of parity on wool supports. The present situation is that under the program the payments are made from the receipts from 70 percent of the specific duties on wool. The Secretary under the act could support wool up to 110 percent of parity if there were sufficient funds available from the tariff, but there will not be sufficient funds available from this source. In effect, the top level at which the Secretary of Agriculture would be able to support wool in future years, or for the duration of the act, would be 85 percent of parity, unless the Secretary should ask for additional funds or there were sufficient funds available from the tariff receipts.

Mr. BARRETT. Mr. President, will the Senator yield to me?

Mr. YOUNG. I am happy to yield to the Senator from Wyoming.

Mr. BARRETT. At the outset let me thank the distinguished junior Senator from North Dakota, a distinguished member of the Committee on Agriculture and Forestry, for offering the wool bill as an amendment to the farm bill.

Forty-seven Senators joined me in the introduction of the wool bill, S. 2861,

which was reported by the Committee on Agriculture and Forestry on April 21 last.

Mr. President, I ask unanimous consent that the names of the Senators who cosponsored the wool bill may be printed in the RECORD at this point.

There being no objection, the names of the Senators were ordered to be printed in the RECORD, as follows:

Mr. BARRETT, Mr. O'MAHONEY, Mr. AIKEN, Mr. ALLOTT, Mr. ANDERSON, Mr. BEALL, Mr. BENNETT, Mr. BIBLE, Mr. BRICKER, Mr. CAPEHART, Mr. CARLSON, Mr. CARROLL, Mr. CASE of South Dakota, Mr. CHAVEZ, Mr. CHURCH, Mr. COOPER, Mr. CURTIS, Mr. DWORSHAK, Mr. GOLDWATER, Mr. HICKENLOOPER, Mr. HRUSKA, Mr. HUMPHREY, Mr. JACKSON, Mr. JENNER, Mr. KENNEDY, Mr. KNOWLAND, Mr. KUCHEL, Mr. LANGER, Mr. MAGNUSON, Mr. MALONE, Mr. MANSFIELD, Mr. MARTIN of Iowa, Mr. McNAMARA, Mr. MORSE, Mr. MORTON, Mr. MUNDT, Mr. MURRAY, Mr. NEUBERGER, Mr. PAYNE, Mr. POTTER, Mr. REVERCOMB, Mr. SALTONSTALL, Mr. SCHOEPPEL, Mr. SYMINGTON, Mr. THYE, Mr. WATKINS, Mr. YARBOROUGH, and Mr. YOUNG.

Mr. BARRETT. Mr. President, the distinguished junior Senator from North Dakota [Mr. YOUNG] discussed with me the provisions of his amendment, which, generally, fixes a limit of 85 percent on the payments under the Wool Act.

I am entirely in agreement with that provision. It is true that during the 1955 and 1956 marketing years the payments under the act equaled 106 percent of parity. The payments during the 1957 marketing year amounted to 101 percent of parity. When the incentive payments were set for this marketing year last fall they were at 95 percent of parity. At the present time, if the incentive level were set at 62 cents a pound, it would be at 87 percent of parity.

Mr. President, the Wool Act expires after payments on this year's wool clip. The Wool Act must be extended if we are to keep the sheep industry safely on the road to recovery.

Wool occupies a unique position in our agricultural economy. We have surplus supplies of every agricultural commodity save and except wool and sugar. We produce less than half of our domestic demand for wool and a third for sugar. The Sugar Act, in my opinion, has proved sound and equitable for both the producers and consumers.

From January 1, 1942, to January 1, 1958, the sheep population of the United States dropped from 49,807,000 to 27,300,000. Our country has grown from 80 million people in 1880 to 172 million, yet we have fewer sheep today than we had in 1880.

No doubt about it, the wool growers of America were in a desperate condition when the Wool Act was put on the books 4 years ago. The price-support program of loans and purchases for wool at 90 percent of parity in effect prior to that time had proved completely ineffective. The end result of the Government-support program was to stockpile domestic wool in the hands of the Government while foreign producers captured the American market practically in its entirety.

I am confident that the Wool Act has proved to be as fair and equitable as the

Sugar Act. The five important provisions of the Wool Act are as follows:

First. The Congress declared its policy to encourage an annual production of 300 million pounds of shorn wool in order to promote the general economic welfare and to protect the national security.

Second. It established an incentive price to encourage larger production.

Third. The competitive position of wool with other fibers in the free market is not affected by the payments authorized to growers to bring their income from wool up to the incentive level.

Fourth. It was directed that not to exceed 70 percent of the accumulated totals of the specific duties collected on imports on wool and wool manufactures beginning January 1, 1953, be used to finance the incentive payments.

Fifth. It established a self-help feature.

Mr. President, the money for the program comes from the tariff receipts on wool imported into the United States. So the tariff does double duty. In the first place, the proceeds from the tariff of 25½ cents a pound on clean wool imported into the United States are paid into the Treasury as customs receipts, and then paid to the producers in the United States as an incentive for increasing their production of wool. So the tariff does double duty.

Let me say to the distinguished Senator from North Dakota that the provisions of his amendment are entirely satisfactory to me. I discussed the amendment with him and with the chairman of the committee.

So far as parity is concerned, it is true that during the first 2 years of the Wool Act, benefits were paid on the basis of 106 percent of parity. For 1957, the rate was 95 percent of parity, and the payments at the present time are on the basis of 87 percent of parity. So, as the distinguished Senator pointed out, if the receipts from 70 percent of the specific duties on wool were insufficient to pay in excess of 85 percent of parity, that would be the limitation under the Senator's amendment.

Mr. YOUNG. That is correct.

Mr. BARRETT. The wool bill has worked out in an admirable fashion. If it were not on the books, I am quite certain that a large part of the sheep industry of the country would be liquidated. I believe that since wool and sugar are the only two commodities the production of which is deficient in this country, special consideration should be given to them. At the present time we produce about half the wool consumed in this country. So it seems to me that, since the tariff on wool has been decreased again and again, and the cost of production has gone up, which amounts to another reduction in the tariff, it is only fair and equitable to use the tariff receipts for the purpose of aiding the wool industry.

I hope the distinguished chairman of the committee will accept the amendment. I believe it is a sound provision.

Mr. ELLENDER. Mr. President, will the Senator yield?

Mr. YOUNG. I yield.

Mr. ELLENDER. I shall be glad to consider the amendment, but I am not able to accept it tonight. I can give

assurance that our committee studied the wool bill, as the Senator pointed out, and reported it—but not in its present form.

Mr. BARRETT. So far as the Senator is concerned, it is in better form tonight than it was when it was reported.

Mr. ELLENDER. As the Senator from North Dakota will recall, the objection which I originally had to the wool bill as it was reported by our committee was that the bill authorized appropriations from the Treasury in any amount in order to pay wool growers as much as 110 percent of parity. As I understand this amendment if 70 percent of the proceeds from import duties on wool are sufficient to pay 110 percent of parity, or whatever the level of payments may be, that amount will be paid. However, the modified amendment offered by the distinguished Senator from North Dakota provides that, should the maximum amount of import duties be insufficient to pay the wool grower as much as 85 percent of parity the difference would be paid from the Treasury.

In other words the Treasury would be obliged to make up the difference between payments and 70 percent of the tariff receipts, up to a maximum of 85 percent of parity.

Mr. BARRETT. I thank the Senator.

Mr. ELLENDER. After discussing the issue with the distinguished Senator from North Dakota and with the able Senator from Wyoming, it seems to me that the amendment as modified represents a fair compromise.

Mr. YOUNG. It is a good compromise.

Mr. ELLENDER. So far as I am personally concerned, I will support it, but I would like to have the question submitted to the Senate for a vote.

Mr. BARRETT. I think that is a fair suggestion. I did not mean to press the Senator this evening.

In my judgment, this provision would make it possible to support wool as it has been supported under the Wool Act, and not exceed 85 percent of parity.

Mr. ELLENDER. I am satisfied that the amendment as presented is much better than that originally offered.

Mr. BARRETT. I thank the Senator.

Mr. THYE. Mr. President, will the Senator yield?

Mr. YOUNG. Before I yield, I thank the Senator from Wyoming for placing in the RECORD the names of all the sponsors of the wool bill which is now on the calendar, and which I am offering as an amendment to the pending bill. The first sponsor was the Senator from Wyoming [Mr. BARRETT], who for many years has done a great deal of work, not only on this particular piece of legislation, but on wool problems generally. Many of the other 47 sponsors were working on these programs long before I came to the Senate. I was very happy to have the Senator insert the names of the sponsors in the RECORD.

Mr. BARRETT. Mr. President, will the Senator further yield?

Mr. YOUNG. I yield.

Mr. BARRETT. Inasmuch as the Senator referred to the fact that the wool bill is on the calendar, I am very hopeful

that the farm bill will receive favorable consideration from the other body. However, in the event something should happen to the farm bill on the House side of the Capitol, I am very hopeful that the leadership will schedule the wool bill now on the calendar for consideration, and that it can be separately passed, in the event there is trouble with the farm bill.

Mr. YOUNG. I would be happy to join the Senator from Wyoming in such a request, should the pending bill not become a law.

Mr. THYE. Mr. President, will the Senator yield?

Mr. YOUNG. I yield.

Mr. THYE. I wish to join in the discussion of the wool bill, and also to commend the distinguished Senator from North Dakota for proposing it as an amendment to the agricultural bill which is before us.

The wool bill should have been enacted earlier in the year. It was reported from the Committee on Agriculture and Forestry with the hope and expectation that, like Public Law 480, it would be acted upon earlier, and that we would not have to consider it in the closing weeks of the session, when we are extremely busy with appropriation bills and many legislative bills.

I join my friend from North Dakota in paying tribute to the Senator from Wyoming as one who has endeavored to bring about the enactment of legislation which would be an inducement to increase the production of wool, or increase the number of sheep on the range.

Wyoming is a great sheep growing State. Many sheep are grazed there because the area is suited to sheep raising. But at present a herdsman cannot be obtained to follow a flock of sheep unless he is paid a wage which is so extremely out of line that the ordinary rancher cannot afford to pay it and continue in the sheep business. That was the reason for this particular type of legislation. It was necessary if we were to persuade ranchers to continue in the sheep business. I believe I am correct.

Mr. BARRETT. Mr. President, will the Senator yield?

Mr. YOUNG. I yield.

Mr. BARRETT. Let me say to my distinguished friend from Minnesota that it is true that Wyoming is the greatest wool producing State in the Union, save the State of Texas. But we are encountering much difficulty in the production of wool in our State by reason of the fact that labor costs have risen to a great extent. Whereas 10 or 12 years ago it was possible to hire a sheep herder for \$150 a month, today it requires about \$300 a month to obtain a good herder; and all other costs have risen in proportion.

I thank the Senator for his kind remarks.

Mr. YOUNG. Mr. President, I ask the Senator from Wyoming if it is not true that we import from 50 to 65 percent of our wool requirements in the United States.

Mr. BARRETT. Yes. Our importations at the present time are a little less than half of our consumption. We pro-

duce a little less than half of what we consume at the present time. It is true that foreign wools can be produced much more cheaply than domestic wools, so it is quite difficult for us to sell our wool in competition with Australian wool, which is imported into this country at a lower rate than we can possibly produce it.

Mr. THYE. Mr. President, will the Senator further yield?

Mr. YOUNG. I yield.

Mr. THYE. The handling of sheep is a highly skilled type of farming operation.

At lambing time it is necessary to have skilled help, or the losses are extremely heavy. When it comes to shearing, that involves a skilled operation. It is not possible merely to hire any man who is standing on a street corner to do that kind of work and expect proper care to be given to the flock. Therefore, it is imperative that we pass the proposed legislation with respect to wool. It is necessary to have sufficient wool production. It is vital to our national defense, particularly if we become embroiled in a war. Certainly, we must have sufficient wool in time of war. That was shown by our experiences in World War II. It would be evident again, regardless of whether we were in an atomic age. Wool must be available if we are engaged in war.

Therefore, it is a double necessity that we maintain the flocks of sheep throughout our land. We will not have sufficient wool in competition with Australia and New Zealand unless we set up an incentive program, such as is embodied in the amendment offered by the distinguished Senator from North Dakota and the distinguished Senator from South Dakota [Mr. MUNDT]. It is an amendment which will take the place of the bill already on the calendar.

Again I wish to say to my friend from North Dakota that there is never a time when farm subjects are discussed that we do not find the Senator from North Dakota [Mr. YOUNG] and the Senator from Wyoming [Mr. BARRETT] on the floor of the Senate. They are men who know the farm subject and the farm problem, and they are looking after the interests of the farmer and the rancher.

I merely wish to add my word of appreciation. I see on the floor also the Senator from Louisiana [Mr. ELLENDER]. What I have said is equally true with respect to him, the able chairman of the Committee on Agriculture and Forestry. Standing at his side is the Senator from Mississippi [Mr. STENNIS]. They have been endeavoring to protect the interests of the farmers from the very first day this session convened. It is almost 9 o'clock in the evening, and they are still looking after the interests of the farmer.

Mr. YOUNG. If I were a sheep herder I would be in bed by this time.

Mr. THYE. The Senator would be in bed if he were a sheep herder. Yet here he is looking after the interests of the sheep herder.

Mr. President, I ask unanimous consent to have printed in the RECORD as a part of my remarks a letter I received from Mr. Carl J. Nadasdy, general manager of the Wool Growers Association. It is a very informative letter and I believe it

would be helpful to have it in the RECORD at this point.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

WOOL GROWERS ASSOCIATION,
Minneapolis, Minn., July 18, 1958.

Senator EDWARD J. THYE,
United States Senate,
Washington, D. C.

DEAR SENATOR THYE: Congress will probably adjourn in about 3 weeks. No action has been taken by either the Senate or the House on extension of the National Wool Act. However, the President, the Secretary of Agriculture and the Agriculture Committees of both the House and Senate are in support of this legislation. It is becoming more obvious to us every day that the only obstacle to the Wool Act Extension at this time is election year politics.

If this act is allowed to expire, both the support program for wool and the lamb and wool promotion program will die. We cannot long survive under these conditions. As you know, wool is completely different from other agricultural commodities because it is in short supply rather than in surplus. The wool support program is to increase production, not to decrease or control production. There has been a tremendous interest developed in sheep raising, but, as yet, we have not reached the wool production goal setup in the Wool Act.

Wool growers all over the Nation have placed their wholehearted trust in the Congress to maintain an equitable and stable program for wool. Many of these people depend upon their sheep for a large part of their income. It does not seem fair to play politics with the very livelihood of wool growers. The production of sheep is entirely different from raising of crops. A wool grower has a big investment in animals, special fencing, feed and equipment. It is not possible for him to merely go out of the sheep business or switch to another crop without taking a major loss.

We are fully cognizant of the difficulties involved in passing a piece of legislation for one commodity alone, but this is an extension of an act already in effect and functioning extremely well.

All we ask is that the bill for Wool Act Extension be brought to the floor for a vote. You have been a good friend of ours and we are deeply grateful. Now, more than ever before, we sincerely need your strong help in getting action on this bill. It is apparent that the only possible chance of success for the Wool Act is to have it voted on as a separate bill and not as part of a general overall farm program. We don't want to be tacked-on to another legislative action to enhance that bill's appearance.

The National Wool Act can stand on its own two feet as an excellent and well-devised program for our commodity. On behalf of our organization we earnestly hope that you will take immediate action to see that the Wool Act Extension is considered before adjournment. Our growers will be watching with anxious and hopeful eyes for speedy passage.

Respectfully yours,

CARL J. NADASDY,
General Manager.

Mr. YOUNG. I thank the Senator from Minnesota.

Mr. BARRETT. Mr. President, will the Senator yield to me further?

Mr. YOUNG. I yield.

Mr. BARRETT. Inasmuch as the distinguished Senator from Minnesota mentioned the fact that Wyoming grows a large number of the sheep, I call attention to the fact that 287,224 people

participated under the Wool Act during the past 3 years and received payments under the Wool Act. Eighty percent of those people ran less than 50 head of sheep. Eighteen percent ran from 50 to 600 head of sheep. Two and four-tenths percent ran more than a thousand head of sheep. One-half of 1 percent ran more than 2,500 head of sheep. Therefore, the Wool Act is operating for the benefit of a tremendously large number of small growers in every State in the Union. I believe it ought to be distinctly understood that 80 percent of all the growers receiving benefits under the Wool Act ran less than 50 head of sheep. I thank the Senator.

Mr. BIBLE. Mr. President, will the Senator yield?

Mr. YOUNG. I yield.

Mr. BIBLE. I regret that I was not in the Chamber to hear all of the Senator's remarks. I should like to associate myself with the Senator from North Dakota in offering the amendment. I know the Senator's interest in this industry. I likewise would like to voice my own opinion that wool is one of the strategic commodities which is not produced in sufficient quantities in our country to meet our domestic needs. The Wool Act has proved of immeasurable help in my State. Without it the industry would have gone down the drain, to use a colloquialism. I have received many telegrams urging action to extend the Wool Act. Earlier I received telegrams enlisting my assistance in support of the wool bill which was reported by the Committee on Agriculture and Forestry.

At this time I ask unanimous consent to have incorporated in the RECORD, a series of telegrams in support of the extension of the Wool Act.

There being no objection, the telegrams were ordered to be printed in the RECORD, as follows:

CARSON CITY, NEV., July 22, 1958.

HON. ALAN BIBLE,
Senator for Nevada,
Senate Office Building,
Washington, D. C.:

Nevada woolgrowers unanimously are in favor of support of extension of the Wool Act as a protection to one of our basic industries. I concur with them that extension is essential. Please file copies of this telegram with committee.

Regards,

CHARLES H. RUSSELL,
Governor.

ELKO, NEV., July 21, 1958.

HON. ALAN BIBLE,
United States Senate,
Washington, D. C.:

I have been urged by the sheepman to contact you regarding action to review the Wool Act before adjournment of Congress. Your efforts on behalf of the steep industry at this time will be gratefully remembered.

CELSE MADARIETA.

RENO, NEV., July 21, 1958.

Senator ALAN BIBLE,
Senate Office Building,
Washington, D. C.:

Wool bill is extremely important to the sheep industry in the Western States we would greatly appreciate your efforts to see to it that this bill passes through this present session of Congress. Time is short. Due to influx of imported manufactured goods

and high operating cost incentive help is necessary.

WHEELER SHEEP CO.
REG MEAKER.

SPRING VALLEY, NEV., July 21, 1958.

Senator ALAN BIBLE,
Senate Office Building,
Washington, D. C.:

DEAR SENATOR BIBLE: Please make every effort to get National Wool Act extended this session of Congress.

Yours truly,

HENROID LAND & LIVESTOCK CO.
LAWRENCE HENROID.

ELKO, NEV., July 21, 1958.

HON. ALAN BIBLE,
United States Senate,
Washington, D. C.:

Have been advised that the wool bill might not be passed before adjournment of Congress. As you are aware this wool program has been the salvation of the industry therefore would appreciate your immediate efforts on behalf of this wool bill.

BLUE DICK SHEEP CO.
DOMINGO CALZACORTA.

YERINGTON, NEV., July 22, 1958.

Senator ALAN BIBLE,
Senate Office Building,
Washington, D. C.:

We urge immediate action for renewal of the Wool Act.

F. M. FULSTONE, INC.
F. M. FULSTONE, JR.
ROBERTS SHEEP CO.

YERINGTON, NEV., July 22, 1958.

Senator ALAN BIBLE,
Senate Office Building,
Washington, D. C.:

Assurances here passage of National Wool Act before August adjournment would greatly benefit woolgrowers of Nevada. Urge your best efforts for such legislation.

Kind personal regards,

FRED STROSNIDER.

ELY, NEV., July 22, 1958.

Senator ALAN BIBLE,
Senate Office Building,
Washington, D. C.:

Will appreciate your making every effort to secure passage of the National Wool Act. The future of the wool industry in Nevada is at stake. It can mean the difference between operating at a loss and a small profit. Without the passage of this legislation it would no doubt mean much further liquidation in the sheep industry, as was the case prior to the passage of this act. I would appreciate very much your efforts in getting this bill put through.

DANIEL B. CLARK.

Mr. BIBLE. In conclusion, Mr. President, I should like to quote from a statement made by C. W. Jackson, public relations director of the National Grange, who summed up the feelings of his organization on the wool bill as follows:

During a short period of 3 years it has halted the liquidation of flocks, developed a strong demand for breeding stock, increased producer income, reduced Government cost, eliminated Government wool purchases and stocks previously acquired, returned wool market responsibilities to private trade, encouraged quality production and improved marketing procedures, and has provided producers with a self-financed mechanism to increase the consumption of wool and lamb.

That expresses my sentiments, and I believe it expresses also the sentiments of the wool industry of the State of

Nevada. I am very happy to associate myself with the amendment of the distinguished Senator from North Dakota.

Mr. YOUNG. I thank the Senator.

Mr. President, the amendment I am offering to the pending farm bill would extend the present Wool Act 4 years beyond its present expiration date of March 31, 1959. The provisions and even the wording of the amendment I am offering are exactly the same with the exception I have discussed as the wool bill approved earlier this year by the Senate Agriculture Committee by a unanimous vote. That bill is now pending on the calendar. My purpose in offering it as an amendment to this bill is to expedite its approval by Congress.

The sheep and wool production in the United States had dropped steadily over a long period of years just previous to the passage of the present Wool Act approximately 4 years ago. The sheep population of the United States at that time had reached the lowest level in 70 years. Wool is a deficit commodity. Even now during peacetime, we import far more than we produce. In time of war wool is one of the most essential of all farm commodities.

Because of the need to increase the production of this highly essential commodity the Congress approved the present Wool Act providing a new type of price-support program. Previously, we had 90-percent supports for wool but this program did not prevent a steady decline in production necessary to meet the bare minimum needs of this country of this very vital strategic war material.

The program has worked very satisfactorily. The Government no longer holds any stock of wool and the cost of the program has been considerably less than the previous one.

For the first time in a great many years wool production in the United States began to increase. According to the release by the Department of Agriculture on February 14 of this year stock sheep and lambs on ranches on January 1 were estimated at 27,390,000 head or 3 percent more than a year earlier and the largest inventory number since January 1, 1953. Ewe lamb numbers increased sharply to 4,347,000—a gain of 16 percent from a year earlier and reached the highest level since January 1, 1952.

The retention of ewe lambs indicates that the present wool program is encouraging growers to expand their sheep and wool production operations as range and forest conditions permit in accordance with the intent of the act. It will be recalled that the major reason for the adoption of this legislation 4 years ago was based on the need for increasing this strategic war material.

Increases in sheep and wool production can be only gradual. It takes time to hold back more ewe lambs and to get those lambs into production. The increase in the production underway as a result of the operation of the National Wool Act is very gratifying. It must be recognized that the growers under this incentive plan program did not get their first payments until the summer of 1956. Furthermore, severe drought conditions prevailed in Texas and other important

sheep-producing areas during the first years of the program.

In order to maintain the gains toward increased production already underway and to save those ewe lambs that are now reaching market weight and condition from going to slaughter this summer and fall, continuation of the program under the National Wool Act of 1954 must be announced in the very near future. Without the assurance of continuation of an incentive price, many producers will not have the confidence to retain their ewe lambs for breeding stock or probably stay in the sheep business at all.

The Wool Act expires March 31 of next year. Unless Congress acts to continue this program before we adjourn, the major objectives of the original legislation will be largely lost and, in addition, we will be doing severe injury to one of the most important industries in the Nation. There are a few so-called large sheep-ranch operations. However, most of the wool produced in the United States comes from very small farms. The average number of sheep on United States farms is only seven. Sheep production fits very well into diversified small family-type farming operations. In continuing this program we are taking a positive step toward helping maintain the smaller farmers of America and in making possible the production of a strategic commodity.

COMMITTEE MEETING DURING SENATE SESSION TOMORROW

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the Committee on Armed Services be permitted to sit during the session of the Senate tomorrow.

The PRESIDING OFFICER. Without objection, it is so ordered.

AGRICULTURAL ACT OF 1958

The Senate resumed the consideration of the bill (S. 4071) to provide more effective price, production adjustment, and marketing programs for various agricultural commodities.

Mr. PROXMIRE obtained the floor.

Mr. HUMPHREY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. TALMADGE in the chair). Does the Senator from Wisconsin yield for that purpose?

Mr. PROXMIRE. I yield.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

Mr. PROXMIRE. Mr. President, I serve notice on the Senate that this will be a long speech. I apologize because I realize the hour is late. However, I feel very, very deeply about this measure. It drastically affects the farmers of Wisconsin and most severely and seriously affects the farmers of America. Therefore, I feel it is essential that I make this speech, although I recognize the hour is late and I recognize the serious inconvenience which, unfortunately, it

causes my colleagues and the very fine and efficient employees of the Senate.

We are being asked in the bill before us to reverse a basic fundamental of the Federal farm program. The bill covers only cotton, rice, corn, and feed grains. For all these commodities, the parity concept would be abandoned, and the concept of parity farm income and parity prices cannot be maintained for other commodities if it is abandoned for three of the traditional basics and for the feed grain complex which make up so large a share of the total farm income.

The bill makes a fundamental turn toward abandoning the principle that, because of their weak bargaining power in the market, farmers need and in fairness deserve to have help through Federal farm programs to strengthen their bargaining position. It makes a fundamental turn away from enabling farmers to maintain fair prices if they are willing to cooperate by keeping supplies in reasonable balance with demand.

This is the key to any farm program which is intended to work. We simply must recognize that farm production must be brought into balance with the demand for farm products. The fact is that the demand for most farm products is very inelastic. This, of course, means that if production exceeds demand by just a little bit, the price drops very, very greatly. This is an absolute essential of farm economics. I think it must be understood and must be appreciated.

I think that to see how unjust it is to expect a farmer to produce an unlimited amount, with no restraint or no restriction, one has only to compare farm economics with industrial economics, with retailing economics, and with labor economics.

If the automobile industry were placed on the same basis as we place the farm industry, General Motors would be required to operate full tilt, 24 hours a day, 7 days a week, 52 weeks a year, to keep its assembly lines rolling and turning out as many cars as possible, piling them up, and letting the consumer come forward and bid. Obviously, on that basis, General Motors would not stay in business a month. Probably it would not stay in business even for a few weeks.

The steel industry is another example. I think if anything should be clear to the American people, it is that the steel industry restricts its production and tailors its production to demand. The steel industry, like the automobile industry, establishes its prices according to what it considers to be a fair price based on the costs.

This is not true only of the steel industry, the automobile industry, and big industries generally. It is also true of virtually every merchant and every storekeeper in the Nation, whether they are located in Georgia, Nebraska, Wisconsin, New York, or California. The fact is that unless merchants are contemplating going out of business, they limit their sales to the amounts they can sell for a fair price. That price must cover what they pay for the merchandise they sell and their costs of

operation. Unless they receive that price, they do not stay in business long.

Like many other Senators, I, myself, have been in business. In our business, we always fixed the price at which we sold on the basis of our costs. We had to, if we wished to stay in business very long.

In that business some of the competitors do not have a cost analysis system and do not limit their sales to the amounts they can sell for a fair price; and the result is that they do not stay in business long.

Mr. President, the fact is that about 50 or 60 years ago in most cases labor did not limit its production, there was no limitation on hours of labor and production was not limited to the amounts which could be produced by labor which was paid fair wages and fair salaries, and which then could be sold at a profit.

Of course, under the labor laws passed in the 1930's, organized labor developed the power, the strength, and the ability to limit what it produced to what it could produce when it was paid a fair wage or a fair salary. Of course, the result of that process has been that the income of labor has increased, the income of business has increased, and the income of manufacturing groups and industries has increased. But the income of farmers has dropped steadily. I believe this factor is so important in connection with our consideration of the pending measure that every Senator and every farm economist should reflect on it at great length.

The pending bill represents a major shift from the concept that we have followed for one-quarter of a century, and the bill would take us back to the concept that farmers should be left defenseless and without effective bargaining power—in a market situation dominated by big business, big finance, and big labor. The fact is that the farmer, almost alone in our economy, does not have any bargaining power. When he comes to market with his produce, he asks, "What am I bid?" And when he goes to market to buy what he needs, he asks, "What price do I have to pay?" He is unable to influence in any way the prices he pays for the things he buys; and he is the only one in the economy, or substantially the only one, who has such weak bargaining power.

This drastic shift in policy would be applied to corn and feed grains beginning in the first year of operation of the proposed program. The full return to an unprotected system of pricing would be delayed for cotton and rice until 1961.

This bill may be interpreted in either of two ways.

If it is to be interpreted literally, we must regard it as a transitional step toward a scheme under which farm prices will float ever downward. That is the only possible meaning of a policy of setting a "support level" that will be 10 percent below the average market prices of the preceding 3 years. This is not "support". At best, it is a leaky parachute, which can travel in only one direction—down—until it hits rock bottom. And a parachute that will permit

farm prices to decline by 10 percent a year of the preceding 3 years' prices is a leaky one, indeed. Ten percent a year is a frightfully dangerous rate of descent. It is doubtful that it would be any better than an unadorned suicide leap out the window for our agricultural economy. But even the most optimistic interpretation of the bill—which can be made only by ignoring the clear meaning of the language concerning the establishment of "supports" at 90 percent of the preceding 3 years' prices—shows that it represents a devastating defeat of the principle of parity price support in farm policy.

Incidentally, Mr. President, it is most peculiar, and perhaps it is most clever and adroit, that the provision regarding 90 percent of the preceding 3 years' prices has been hit upon. Unfortunately, many persons—both those on the farms and those off the farms—will be deceived into believing that that provision means 90 percent of parity. But, of course, any careful reading of the bill shows that it will mean far from 90 percent of parity. In some cases it will mean 90 percent of 70 percent of parity, and then 90 percent of 60 percent of parity, and then down, down, down. Even if it is assumed that supports 10 percent below recent average prices are not the ultimate supports intended by this program, the bill abandons completely the parity concept, and substitutes support floors expressed in dollars-and-cents terms that provide no protection for farmers against the erosive effects of inflation.

That point was brought out very well by the distinguished Senator from Missouri [Mr. SYMINGTON], who is such a keen student of agricultural economics, is such a tremendously important member of the Committee on Agriculture and Forestry, and has been so great a champion of the family farmer, including the dairy farmer.

The pending bill immediately abandons parity as a measuring stick for farm price floors. For cotton, it fixes a support rate at 30 cents per pound for middling 1-inch cotton—which is only 26 cents for the present official grade, and only about 70 percent of parity. For corn it fixes a support floor at only \$1.10 per bushel—about 63 percent of parity. For the other feed grains, it fixes support floors related to corn priced at \$1.10 per bushel. For rice, it fixes a support floor of \$4 per hundred pounds—only about 70 percent of parity.

Mr. HUMPHREY. Mr. President, will the Senator from Wisconsin yield to me?

Mr. PROXMIRE. I yield to the distinguished Senator from Minnesota.

Mr. HUMPHREY. The Senator from Wisconsin has been stating that the pending bill will set fixed price levels.

Mr. PROXMIRE. Exactly so.

Mr. HUMPHREY. As such, if we interpret those price levels in terms of parity percentages, the bill really will set fixed percentages of parity.

Is it not interesting that the bill is being supported by the administration and is being vigorously supported by the Secretary of Agriculture, who, only 2 years ago, when he appeared before the Senate Committee on Agriculture and

Forestry, condemned fixed price supports? At that time he wanted flexibility; he wanted as much flexibility as is demonstrated by a rock and roll artist. But now the Secretary of Agriculture wants to have fixed prices.

I grant that the prices, as he would have them fixed, would be fixed too low; but that was to be expected, in view of the economic philosophy which has emanated from the Department of Agriculture.

Mr. PROXMIRE. I may say that the flexible supports the Secretary favored were flexible in only one direction, namely, downward.

I understand that at a recent press conference the Secretary of Agriculture has indicated that he is not quite satisfied with these fixed prices; I understand that he now has indicated that he is not satisfied, because they may not be low enough. He thinks they should be lower.

Mr. HUMPHREY. Mr. President, will the Senator from Wisconsin yield further to me?

Mr. PROXMIRE. I yield.

Mr. HUMPHREY. A very clear maneuver is under way. The Department of Agriculture is saying that it will accept the bill which is now before the Senate, and will accept the floors provided by the bill—such as \$4 for rice and 30 cents for cotton and \$1.10 for corn. The Department of Agriculture says it will accept them. In other words, we have been assured by the Secretary of Agriculture that the President will not veto the bill if it provides for such fixed prices.

But since that acceptance violates every commitment the Secretary of Agriculture has made before the committee, in terms of the positive program of the administration, or at least the acknowledged program of the administration in the field of agriculture, now we are told that, although the Department accepts these particular price levels, it believes that the bill would be even better if it permitted prices to be lowered even more, and if the bill did not provide for any floors.

Mr. McLain, the Assistant Secretary of Agriculture—as I shall state in the course of my subsequent remarks on the bill—said the Department would prefer to have no price floors provided by the bill. He also said that once this bill is enacted, the Department will give the same treatment to tobacco and to wheat. So there is more in the offing.

I have also been told that although the Department of Agriculture accepts Senate bill 4071, and although we have been assured that the President will sign it, and that if the bill is passed and is enacted into law the Secretary of Agriculture will not be angry, but will be able "to live with it," the Department's representatives also say that, really, the bill is sponsored by the American Farm Bureau.

So we notice that the administration and the Department have two or three escape hatches. On the one hand, they say the bill is "acceptable" or that they can "live with it." Next, they say that the principles on which the bill is based do not represent the principles of the

administration, but that essentially they are the recommendations of the American Farm Bureau.

In case somebody points out, as the Senator from Wisconsin is pointing out, that this bill repudiates the commitments of the Congress in the act of 1938, that this bill is a complete reversal of agricultural policy, and the greatest single reversal since 1933, that is just a nice way of letting the administration say, "Oh, we didn't do it. We didn't do that. A Democratic Congress did that." If it does not go over in some areas where there is a strong Democratic majority, they are going to say, "We didn't do this. We only accepted it. It was all we could get. It was the American Farm Bureau." So everybody is going to be a scapegoat while the Department of Agriculture gets its way.

I appreciate the action of the Senator from Wisconsin in being so generous with his time as to yield to me for these observations, but I predicted in the Senate, in the debate of 1954, that the objective of the administration was not flexible price supports, that the objective of the administration was not 100 percent in the market place, but that the objective of the administration was no price supports, or, at best flexibility from zero to 90, with emphasis on the zero.

I must say I do not think I shall have to wait to be many years or many months older before that objective will be made plain for all to see—the great plan of the Department to scuttle the price-support program, the premeditated plan of the Department of Agriculture to do away with the production controls which are necessary for an effective farm program. That plan will be unfolded in its ugly nakedness for all to see.

It is being unfolded. We are getting a strip tease now. This is merely a little teaser. Just wait until the full act comes on for the boys in the back room. That is what is going to happen. This is only the beginning. We have had a forewarning from the Assistant Secretary of Agriculture, Mr. Marvin McLain, a very fine man, who has told us this bill has weaknesses, that it goes too far in providing price floors, but that it was the best that could be gotten out of committee, but he has more to offer next time for wheat and tobacco.

So let me assure my colleagues, as they read the RECORD tomorrow, there is going to be a boobytrap for everyone—not a prize, but a boobytrap. Right now only a few are getting it.

I thank the Senator for yielding to me.

Mr. PROXMIRE. I thank the Senator from Minnesota. I should like to add that I think this strip tease has gone too far. In fact, I think the strip tease has gone so far that, to carry the analogy further, it is about time to raid it. I think it is fantastic that the Department of Agriculture should say they are accepting this bill with reluctance, when its program has constantly been to drive down farm prices. Certainly the effect of this bill will be to drive down drastically the prices of corn, cotton, and rice. Of course, the effect on dairy products and meat products is going to be most unfortunate and most serious.

Mr. HUMPHREY. Mr. President, will the Senator yield further?

Mr. PROXMIRE. I yield.

Mr. HUMPHREY. The feed grain amendment in this bill for the first time considers the average price in the market place for 3 years, and in order to sort of trick the people, because they have automatic reflexes, it is said 90 percent of the average price in the market place will be taken, and that will be the price-support level. That part of the bill has been justified in public print as one of the reasons why there is no need for an increase in the price of dairy products. The spokesmen for the Department of Agriculture say that if there is cheap feed, there is really no need for a fair and a decent price for dairy products, because if there is cheap feed, farmers will be able to supply feed required for a dairy herd, so they can afford to take a cheaper price for dairy products.

While that has been the justification which has appeared in public print and has appeared in many journals, I may say that, on the other hand, when the Department witnesses were asked whether cheap feed would not ultimately result in cheaper beef and cheaper hogs for the farmers, they said "Yes."

The record is filled with testimony, in hearing after hearing on agricultural policy, that when the prices of feed grains are reduced, two things happen. The prices of cattle and swine are reduced, and there is a tendency for the prices of fowl to decrease—chickens, turkeys, and ducks. The record also shows there is a tendency to increase production. These are not statements by the junior Senator from Minnesota; that was the testimony brought out in hearing after hearing held by the Committee on Agriculture and Forestry, which traveled from one part of the Nation to the other. We went all over the country and held hearings. I believe that was in 1955. One hearing was held in Brookings, S. Dak.; one was held in Minneapolis, Minn.; one was held in Oklahoma; one in South Carolina. Hearings were held everywhere. In all the hearings, witnesses testified to the fact that it is economic law in agriculture that cheap feed means cheap beef; when we have cheap feed and cheap beef, we have a cheap agriculture.

I warn my colleagues that once we start with cheap agricultural prices in a high economy, we are in trouble. The cost indexes show that consumers pay high prices and farmers receive low prices. Now the Senate has a bill before it which has as its primary objective maximum production at cheap prices; unlimited production at cheap prices. This is merely a further chapter in the premeditated plan to choke off and to kill off effective price supports and market controls.

Mr. PROXMIRE. May I point out that cheap feed also means cheap milk?

Mr. HUMPHREY. For the producer.

Mr. PROXMIRE. For the producer, that is correct; not for the consumer.

Mr. HUMPHREY. I hope someone will bring forth the testimony to show how consumers are "benefited," according to the Department of Agriculture re-

lease, at the time milk-support prices are reduced. I hope somebody will be able to demonstrate the assertion that when the farmer's price for the milk he is able to produce is cut, the consumer will save money. There are only two examples of such price reduction. One was in Washington, D. C., when some of the chainstores temporarily reduced the price of butter. But the price crept up afterwards. The Secretary would rather be right for a week than stand by a good price-support program. After the price dropped for 1 or 2 weeks, it edged up again. I want someone to show me that in New York, Philadelphia, Chicago, Pittsburgh, and in other large cities where 80 percent of the population lives, the price of fluid milk in the bottle which is served to the families in America has gone down 1 penny a quart. I may say that the dairy producer's income has come down hundreds of millions of dollars. The Senator from Wisconsin comes from the greatest dairy State in the Union. I come from one of the great dairy States.

I say to my friends that the drop in price supports on milk in Minnesota has cost our economy millions and millions of dollars, and there has not been as much as one-tenth of a cent saving to the consumer in the price of milk.

Mr. PROXMIRE. As a matter of fact, the price of milk has gone up in many, many markets, at exactly the same time the price of milk for the farmer has gone down.

Mr. HUMPHREY. The Secretary of Agriculture listed as 1 of the 3 or 4 reasons to justify his cutting the price support levels on milk—and a very important reason, according to his statement—that it would reduce the cost of living and it would reduce the price of dairy products to the consumer. I say the burden of proof is upon the Secretary and his followers—upon the Secretary and those who stand with him—to show that such has happened. I charge they cannot show it. I say all that has resulted is a reduction in the producer's income, with no substantial reduction in consumer prices.

Mr. PROXMIRE. The Senator is exactly right.

Mr. President, setting fixed dollar-and-cents support floors is tantamount to guaranteeing that the fixed price support will continuously become a smaller and smaller percentage of the parity price. No one expects that in the years ahead the prices farmers must pay for production and living items and services will go down. The parity index measuring these prices paid by farmers has gone up 3 percent in the past year. Its continuous rise is expected. As farmers' expenses rise, the fixed dollar and cents support floors will be less and less adequate, and farm commodities will buy less and less. If farmers' costs continue to rise as there is every danger that they will, the fixed dollar-and-cents minimums established in the bill may actually turn out to be lower than disaster-level prices very soon.

Dependence on fixed dollar-and-cents support floors is a delusion. It will place the farm program on quicksand which

will melt away as pressure is put on it from rising farm costs.

But the literal, longer-range meaning of the bill—changing from a parity yardstick to 10 percent below the recent average market—will place farmers on an even more treacherous economic foundation.

To set supports each year at 10 percent below the average market price for the preceding 3 years is practically to provide no supports at all. The proponents of this proposal base their case on figures for recent past years. The figures are shown in the committee report, in the tables on pages 5 and 10. The figures for the 3-year moving averages are based upon past years in which more nearly adequate farm programs were in effect. Neither the proponents of the proposal nor the committee report projects the estimates forward into years when the entire 3-year moving average will be established under the programs proposed in this bill.

I have had some studies made of what these provisions would mean to manufacturing milk and butterfat, if the same provisions that this bill applies to corn, rice, and cotton, were to be applied to milk.

Application of the 10 percent below market price supports formula for butterfat would have a disastrous result for many hundreds of thousands of milk producers in Wisconsin, Minnesota, Iowa, South Dakota, and other States. It would mean a rapid reduction of the support price of butter toward a level approximately 10 percent below the wholesale market price for oleomargarine. Under such defenseless conditions as a 10 percent per year decline from average prices would place dairy producers, and with the unmanageable production that collapse of the overall farm programs would lead to, the premium value of butterfat would substantially be sacrificed. Under such a program, butterfat prices again would skid down toward the price of oleomargarine, as it did in the 1930's. This would mean, within a few years, that the butterfat support level of 58.6 cents per pound in 1957 would be cut to something like 20 cents per pound. Dairy producers who sell butterfat in cream, who already receive among the lowest incomes of any commercial family farmers in the Nation, simply could not survive a financial blow of this magnitude.

For manufacturing milk, application of the 10 percent below market price support formula would, within a few years, drop the support level from the current level of over \$3 per hundred pounds, to 10 percent below the export price. This would be the price at which we could ship our surplus production of dairy products to Europe or Japan, pay the ocean freight, and compete in those markets with dairy products produced in other nations.

Mr. President, this is the logical result of the program which is embodied in the bill.

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. PROXMIRE. I yield to the Senator from Minnesota.

Mr. HUMPHREY. I wish to get the RECORD perfectly straight, because I think the Senator is bringing out a point which is not well understood among the lay public or even among those who convey information to the people of the United States. I have not read this information, for example, in the press or in the weekly journals.

Do I correctly understand that the Senator from Wisconsin is saying the formula which is in this bill, used, for example, with respect to cotton and the feed grains, but particularly with respect to feed grains, if applied to manufacturing milk, would result in a continuously lower price-support level?

Mr. PROXMIRE. Exactly.

Mr. HUMPHREY. Is the reasoning of the Senator to the effect that by taking the average market price for the most recent 3 years, and applying 10 percent less than that as a support level, such will be the result?

Mr. PROXMIRE. The Senator is correct.

Mr. HUMPHREY. At the end of the 3-year period that would become the permanent formula; is that correct?

Mr. PROXMIRE. That is my understanding.

Mr. HUMPHREY. The bill does not provide for a 3-year temporary program?

Mr. PROXMIRE. The Senator is correct.

Mr. HUMPHREY. The bill provides that at the end of the 3-year period it shall become a permanent program?

Mr. PROXMIRE. The Senator is correct.

Mr. HUMPHREY. So that we have a constant effect of the low market price being shaved another 10 percent.

Mr. PROXMIRE. Every year.

Mr. HUMPHREY. Every time the price supports are announced.

Mr. PROXMIRE. That is correct.

Mr. HUMPHREY. This is what may be called a sort of planned emaciation. This is an economic diet, an economic reduction for farmers. The farmers do not have to go to any reducing parlors to get flesh rubbed off; they do not have to take pills; all the farmers have to do is have the flesh sliced off. Their economic flesh is being sliced off.

Mr. PROXMIRE. It is being amputated.

Mr. HUMPHREY. No matter how thin the farmers get, another 10 percent will be taken off what is left. Finally the farm economy will be so slim that if it stands sideways it will be marked absent.

Mr. PROXMIRE. Mr. President, the price that could be obtained for the small export surplus of American-produced milk products would set the price for all milk in the United States, if the principles provided in this bill were applied to milk. The price received by farmers for all milk at wholesale has already declined disastrously under this administration's policy, of weakening the bargaining strength of farmers. The average in the years 1947-49 was \$4.42 per hundred pounds. By June 1958, it had slumped to only \$3.70. Under the principles of this bill, the average price

of all milk at wholesale might well drop to no more than \$1.75 or \$2 per hundred. As each successive year's lower market prices were cranked into the moving average base and the support level was reduced therefrom by 10 percent, the support level and domestic market price of United States produced milk would move downward toward the European price minus freight charges across the Atlantic.

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. PROXMIRE. I yield to the Senator from Minnesota.

Mr. HUMPHREY. I urge the Senator to take his time in stating these economic facts. These facts are simply not known. There are not a handful of people in the country who realize what is involved in the principles which are in the bill in terms of depressing market prices. We have plenty of time.

I say very candidly that I think the people of Wisconsin ought to know what the Senator from Wisconsin is saying. This is a very documented, constructive message. It demonstrates great thought and application to the facts. I am hopeful the message will go to every milk producer in the State of Wisconsin and every milk producer throughout the Nation.

I say to the Senator, although at this hour most of the farmers have had to go to bed, so that they can get up tomorrow morning to undertake their duties as dairy farmers, the Senator should take his time in presenting his facts.

The farmers nowadays have to work a little longer. They get an average now of about 45 cents an hour for their wages.

Mr. PROXMIRE. The Senator is exactly correct with respect to Wisconsin, according to the figures of the Department of Agriculture.

Mr. HUMPHREY. That is correct. The farmers have to get up bright and early, Mr. President, in order to make a living. I am hopeful that tomorrow, however, the Senator from Wisconsin will at least review the parts of his splendid statement which cite the economic philosophy of the bill as to feed grains, which, if applied to dairying, will mean that cows will be exhibited in the Smithsonian Institution, as the last of a famous breed.

Farmers cannot afford to carry on dairy production under the kind of scale—not a sliding scale, but a collapsible scale—which the Senator is describing.

Mr. PROXMIRE. Collapsible and collapsing.

Producers of milk under Federal milk marketing orders would not be exempt from the disastrous effects if the principles embodied in this bill are established in our national farm policy.

Make no mistake about it, the philosophy that is represented in this program of reducing price supports by 10 percent a year below the previous 3-year average price is fully intended to be applied to Federal milk orders as well as to other commodities. The former Assistant Secretary of Agriculture, Mr. Earl Butz, was and continues to be a most articulate

spokesman of the theory and philosophy of the Department of Agriculture. Last year, Mr. Butz gave notice to a dairy organization in Michigan that the official policy is that milk-marketing orders must not be regarded as "price-supporting devices." Mr. President, dairy producers in the fluid-milk markets should be warned—and I hereby give them warning by repeating the warning they should have heard 1 year ago from the Department of Agriculture itself—that the Federal milk orders will not be permitted to give support to the producers' bargaining power if the ruling philosophy in the Department of Agriculture has its way.

I think our good friends, Senators from other States—because virtually every State is a dairy producer to some extent—from States which do not produce so much of their milk for the manufacturing market as do Minnesota and Wisconsin, should awaken to this fact. This applies not only to dairy producers in Wisconsin and Minnesota, but in Michigan, Vermont, New York, Virginia, and Florida. One of the big reasons—in fact, the overwhelming reason—why dairy farmers have had more adequate incomes is that milk orders have been effective. Here is an expression of the Department of Agriculture to the effect that it intends to eliminate that protection.

If the principles of this bill are applied to the price criteria for fluid milk in the Agricultural Marketing Act of 1937, the effectiveness of the Federal milk-marketing orders in providing bargaining power to farmers will be completely destroyed.

Every year, each of the Federal milk-marketing orders would have to be reconsidered as to price for class I milk. If a surplus of milk were available in the district to fill class I needs, the price of class I milk would be reduced to 90 percent of the previous 3 years' price. Each year, this 10-percent reduction would take place, until the price of class I milk would be lowered to the prevailing level of prices for manufacturing milk. True, the proponents of the bill will say that it does not apply to Federal milk orders but once this policy of eliminating the producer's bargaining power in the pricing of farm commodities is embodied in the law for such politically and economically important commodities as corn, cotton, and rice, it will certainly be applied eventually also to milk. Let us be realistic as we look down the road which the proponents of the bill beckon us to enter.

Mr. President, the principle embodied in this bill is a dangerous threat to the present tobacco price-support program. Tobacco producers in Wisconsin benefit greatly from the present tobacco program which provides firm 90 percent of parity price supports through effective marketing quotas. I must warn the tobacco producers in my State, and those of my colleagues in the Senate from tobacco-producing areas, that a triumph for the principles of this bill in respect to cotton, corn, rice, and feed grains, will certainly raise the question whether the same program should not be applied

to tobacco. I have not heard of a single tobacco grower in my State who wishes to give up tobacco's status as a basic commodity, and the present effective program of price protection through supply adjustment. Application of the principles of this bill to tobacco would abandon the basic parity concepts of the tobacco program just as surely as the language now removes corn.

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. PROXMIRE. I yield.

Mr. HUMPHREY. I think the Senator should forewarn his constituents, as he is doing here—and he can do it in specific terms and with a degree of assurance, even though it is a sad assurance—that one of the Assistant Secretaries of Agriculture has already said that as soon as this program is over, the next step is to take care of tobacco and wheat. The Senator does not need to have any doubts about it. One thing we can say about the Department of Agriculture is that it likes to give equality of mistreatment to all. I have reason to feel that the Assistant Secretary meant every word he said. We can rest assured that the commitment which was made recently, that the program would be extended to other crops—and tobacco and wheat are mentioned—will be carried out. So the Senator should prepare his constituents for the information.

There is one way this program can be stopped. We shall have a little rendezvous with the ballot box this fall. The ballot box in our part of the country, and in other parts of the country, may have a great deal to do with determining the kind of policies to be enacted into law by the Congress of the United States.

Mr. PROXMIRE. I remind the distinguished Senator from Minnesota that this is a Democratic Congress. That means that the pending bill is extremely important to Democrats and Democratic candidates all over America.

The distinguished Senator from Minnesota says that tobacco and wheat are to be next. I say to my dairy farmers in Wisconsin, if that be so, can dairy products be far behind?

I am reliably informed that, in all probability, elimination of effective marketing quotas and application of the principle of reducing price protection levels by 10 percent per year below recent average prices for tobacco, would in very few years bring a reduction in tobacco supports by as much as 75 percent. The price received by United States tobacco producers would, in all probability, decline ultimately—this is again the objective, the end of the line—to the Rhodesian export price, minus freight charges across the Atlantic Ocean. As in the case of milk products, the exportable surplus of American production, at whatever it could be sold for in Europe minus freight, would set the price for all United States tobacco.

To my colleagues from tobacco-growing areas I say: Stop, look, and listen before we embark upon a course which, by every rule of logic, is likely to sweep up the tobacco program in a general

movement toward the total abandonment of family farmers to the mercies of a marketing system in which they can exercise no bargaining power on their own behalf.

Mr. President, I have asked the Library of Congress to prepare for me an estimate of the probable effect upon the prices of feed grains, livestock, and livestock products of the abandonment of farm price support programs. Make no mistake about it—this is the door through which this bill, in its present form, would lead us.

Yesterday I received a report on this study by Dr. Walter W. Wilcox, senior specialist in agriculture of the legislative reference service of the Library of Congress. Dr. Wilcox is a nationally-known authority on agricultural economics. Incidentally, he came to the Library of Congress staff from the University of Wisconsin, where he made an exceptionally distinguished record. He is widely acknowledged as one of the foremost authorities on agricultural economics in the country.

Dr. Wilcox' study bears out what I have said about the disastrous consequences that would follow from abandonment of farm price support programs—which is the plain and logical next step beyond the bill that is before us.

Mr. President, Dr. Wilcox' analysis is so extremely impressive, its conclusions are so extremely shocking, that I wish to read it so that every Senator can consider fully the grave consequences that will logically follow from adoption of this bill in its present form.

Dr. Wilcox says:

Only 14 percent of the corn in the commercial corn area and 11 percent of the total corn crop in 1957 was grown by farmers complying with corn acreage allotments. The percentage of compliance is not expected to be much different in 1958. For this reason existing corn acreage allotment and price support legislation is having very little effect on supplies and prices of feed grains.

Farmers placed 6.6 million acres of corn land and 5.3 million acres of wheat land in the acreage reserve program in 1958, however, a program which will not be continued after this year.

Most of this reserve acreage will be utilized to produce feed grains in future years. Hence, we may expect corn and total feed grain production in 1959 and later years to increase unless some new feed grain program is adopted.

Perhaps the most dramatic way to illustrate the probable price and income consequences of these expected developments is to cite two current relationships.

First, technicians in the Department of Agriculture estimate that if farmers had expanded hog production sufficiently last fall and this spring to utilize the 400 to 500 million bushels of 1957 corn, or its equivalent in other feed grains, which will be added to carryover stocks this fall, hog prices would be about half the current levels this summer and fall.

Second, at the end of this crop marketing year, October 1, we will have feed grain stocks equivalent to two-thirds of a normal corn crop; sufficient to feed all the hogs produced in 1959, and to feed all the dairy cows, horses and sheep in the United States for a full year without drawing on the crop now growing in the fields.

Fall farrowings of pigs are expected to expand 14 percent this year over 1957 with

further increases in farrowings next spring. Without some type of program to restrict the supplies of feed grains and hogs moving to commercial markets in the fall of 1959 and subsequent years, sharp price declines are almost certain.

Superabundant and low-priced feed grains lead to the expansion of all types of livestock production which utilize them. Producers of turkeys, broilers, milk, lambs, beef cattle, and hogs finding abundant supplies of cheap feed grains available have an incentive to expand their operations.

That is the point the distinguished Senator from Minnesota has been making.

Only in the case of hog producers, however, is the supply and price of feed grains the dominant economic force in determining production plans.

Turkey, broiler, and egg producers adjust their operations from season to season and year to year, based on the prices they received in the recent past. The cost of feed is only one of the important costs for these producers. Dairymen also make only limited changes in their production plans in response to changes in the price of feed grains.

Hog producers and beef cattle feeders are more sensitive to feed grain prices than poultrymen and dairymen and may be expected to expand their operations most as a result of the large supplies of cheap feed grains. In fact, because of the modest adjustments of poultrymen and dairymen, a 10-percent increase in feed grain supplies usually leads to more than a 10-percent increase in hog production and in grain fed to beef cattle.

Unless an effective feed grain price support and production control program is adopted, feed grain prices will quickly drop to 50 to 60 percent of parity with hog prices dropping to equally low levels within a year or two. Supplies and other livestock products will not expand as rapidly as hog production, and prices will not fall as drastically, but the burdensome feed grain supplies will tend to expand the production of all livestock products and push prices lower than in recent years.

WALTER W. WILCOX,
Senior Specialist in Agriculture.

I desire to reemphasize the major point which Dr. Wilcox's analysis makes:

If last year's crop of corn and other feed grains had been converted into livestock in the normal relationship, hog prices this fall would be in the neighborhood of \$10 or \$11 per hundred pounds.

Mr. President, economic disaster for the livestock industry is locked up in the grain bins of America—right now. Only because 400 to 500 million bushels more than normal of last year's corn and other feed grains was kept in storage, instead of being converted into hogs, fat cattle, chickens, turkeys, lamb, and dairy products, was it possible to avoid this impending economic disaster in this year.

But the impending collapse of the livestock economy has not been escaped—it has only been postponed. The 400 or 500 million bushels of 1957 corn that was stored instead of being fed is still with us. Eventually, it must be sold—and it must be sold on the hoof. And in any year that this quantity of feed-converted-into-livestock hits the market, in addition to a normal year's demands, we can expect hog prices as low as 50 percent of parity.

But even this is not the full picture of the calamity that is hanging over the heads of livestock producers. For this year again there will be a record or near-record feed crop. There will be another 400 to 500 million bushels of feed produced above what the year's markets can absorb in the form of livestock products at reasonable prices, added to the surplus carried over from last year.

And next year, if the provisions of this bill go into effect, without correcting amendments to greatly strengthen our feed grain programs, the consequences almost defy comprehension.

There will still remain 400 to 500 million bushels of 1957 feed grain, unless it has already started to market on the hoof, to the accompaniment of depression-level prices for livestock.

There will be another 400 to 500 million bushels of 1958 feed grain hanging over the market, unless that too is marching to market on the hoof, to the tune of depression-level prices.

Next year there will be another huge normal crop in the fields of comparable magnitude, plus the yield from 12 million acres of wheat and corn land which has been kept out of production in the acreage reserve of the Soil Bank during 1958 and 1957.

Mr. President, the handwriting is on the wall for all to see.

The pending bill in no way responds to the desperate emergency that confronts the entire livestock industry. On the contrary, it would add impetus to the collapse that is ahead.

Mr. President, at this point I should like to suggest that we consider the gross injustice of a 10 percent cut every year. Let us suppose that it should be applied to the labor laws which have been passed. Let us suppose that a Senator should introduce a bill proposing that the minimum wage be reduced every year by 10 percent of the preceding 3-year average, or something of that kind. The injustice of such a proposal would be perceived immediately. I am sure it would never be suggested, because, contrary to what has been happening to the farm population, the working population of the country has increased, and their political power has increased accordingly.

Suppose a 10-percent cut per year were applied by every public utility commission in America. Suppose that they adopted the policy of reducing their rates by 10 percent a year. Suppose that policy were applied to the price of steel. Suppose it were applied nationally.

The cries which would arise from those who were affected would be immense and loud indeed. Congress would not stand for that kind of proposal. The fact is that only a farmer is expected to operate today under the unseen hand of Adam Smith. Adam Smith was a great economist, who contributed to a greater understanding of economics. However, Adam Smith lived a long, long time ago. There has been a great advance in economic science since the days of Adam Smith.

It has been discovered, on the basis of careful observation of economic behavior, that it is only the farmer who has no control over his production. Only the farmer is expected to operate as one of many, and only the farmer has a combination of a homogeneous product, and a vast number of competitors who sell the homogeneous product and are in competition with him. He does not have any control, not even the slightest degree of control, over prices. The merchant who sells a brand of toothpaste has some control over prices. He may be a small-business man, and he may not have much control, but he has some control.

A labor union exercises a considerable degree of control, thank heaven, over the price at which a labor union member sells his labor. Certainly in the large industries throughout the country a firm hand is kept on prices. That is true of steel companies and automobile companies and other industries.

Only the farmer is expected to have no control at all. The only control he has had in recent years has been through the parity concept and through the kind of farm programs which have been adopted. If the pending bill should be passed, he would lose a very large share of that control.

Mr. President, I realize we are considering this bill in the shadow of the President's veto of the Agricultural Act of 1956, and in the more recent shadow of the veto of the price-support and acreage-allotment bill freeze resolution adopted earlier this year. I realize also that we are working right now under a threat of another veto by the President if we should enact legislation that will strengthen rather than weaken the existing protections afforded to farm families.

But the threat of a defeat by veto, Mr. President, does not justify surrender. It does not justify a retreat from the ground we now hold. The bill we are now considering is not merely a change in emphasis, not merely an adjustment of support levels and acreage allotments. This bill, if we accept it, would start us down an entirely different road, toward the complete reversal of the basic fundamental concepts of the farm program as it has operated over the past 30 years.

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. PROXMIER. I yield.

Mr. HUMPHREY. I compliment the Senator on his splendid message and his grasp of the economic factors involved in our great agricultural economy. The Senator from Wisconsin is a keen student of economics. He is a sensitive observer of the developments in his own State and, indeed, throughout the Nation and the world.

I ask the Senator if it is not true that we have seen, since 1952, a constant whittling away at the basic farm policies which had stood us so well during the preceding years?

Mr. PROXMIER. There can be no question about that. There has been a constant whittling away, which has certainly not benefited the consumer; heaven knows, it has not benefited the

taxpayer; and it has been disastrous for the farmer.

Mr. HUMPHREY. The Senator recalls, I think, that in 1952, in Minnesota as in other States, the present incumbent of the White House, who was then a candidate, assured the producers that they could look forward to 100 percent of parity in the market place, and at least 90 percent of parity price supports upon the basic commodities. Does the Senator recall that?

Mr. PROXMIER. I remember that very well. I remember what Mr. Eisenhower said at Kasson, Minn., and at Brookings, S. Dak. He pledged 90 percent. He said the Republican Party guaranteed a 90-percent price support. It was a solemn promise.

Mr. HUMPHREY. Our experience under it is now recorded in one of the chapters of American political history—a rather tragic and sad chapter, but at least we have gone through that experience.

The Senator may recall that in 1954 the administration came before Congress and asked for the flexible price support program of 75 to 90 percent.

The theory was that as the farmers accumulated, through excess production, surplus agriculture commodities, the price supports would drop and thereby remove the incentive for production which, according to the logic of the Department of Agriculture and this administration, would have a tendency to reduce production which, in turn, once production was reduced, bringing supply into closer relationship with demand, would result in a rise in the market price. Does the Senator recall that?

Mr. PROXMIER. I recall that so well.

Mr. HUMPHREY. It is a matter of recorded testimony. The Senator may recall that in 1956 Congress passed a basically good act, indeed we passed two of them, and both of them were vetoed, and also we adopted Senate Resolution 152 this year, which also was vetoed. A major accomplishment of the present administration in agriculture is the excessive use of the veto. There is only one other place where the veto is used more often. That is in the Security Council, and by the Soviet Union.

The Senator may recall that after 1956 the administration started to complain that when the supplies were leveled off, due to many factors, such as drought, pestilence, acreage reserves, tremendous expenditures for cutting back production, and so forth—when the supply was lowered a bit, then the Secretary said, "Now, see what has happened to us. The market price is going up." There were cries of anguish heard throughout the land.

The Secretary said, "See what is being done to us. Prices are beginning to go up. That means, of course, that the supply of some of the commodities is a little less than it has been. If the supply continues at this level, it will mean that we will have to raise the price supports."

So after the program had worked a little bit, not due to the administration,

but due to acts of nature—there were floods, droughts, and an instance of pestilence—there was a cutback in the supplies of some commodities.

There was a great export program under Public Law 480 for cotton and wheat. When some of those programs began to show a little effect, the Secretary of Agriculture came charging down to Congress on his pure white steed and said, "Gentlemen, you do not know what is happening. I have a serious complaint to make. Prices are beginning to go up. We have simply got to whittle down the price support program."

That is exactly what has been happening. I hope the American farmer understands it, because it has not happened by accident. Oh, no. I compliment the administration. They know how to plan for lower agricultural prices. There is no doubt about that. They have had a design, and the design has been to weaken production controls, to weaken price supports, and to get what they call a free market. They are coming very close to it. Now they are driving hard. They are tasting a little blood.

The Secretary's program has taken effect. I am told he is more popular in some areas. I think that may be true. Popularity seems to go up or down according to the economic indexes. But, be that as it may, popular or not, the handwriting is on the wall. One does not have to be an Old Testament prophet to predict it. One does not have to be a David or a son of David; or an Isaiah or an Ezekiel. He can simply be a United States Senator, an average, lay person. He can predict what will happen.

What is happening is that the Department has now set a formula which has within it all the symbols, all the words which people were accustomed to hearing about farm price supports, such as the average price over 3 years—90 percent of the average price.

I recall when "90 percent" was almost a dirty word in the Senate. The administration almost laid down a moral edict and said that all those who said "90 percent" would have their mouths washed out for evil pronouncements. Now we have 90 percent. Does the Senator see how that rings bells?

There was an old Russian scientist by the name of Pavlov. Pavlov found that one could get conditioned reflexes. He did this with dogs. He had a dog go to get a piece of meat. Every time the dog would get the piece of meat, Pavlov would ring a bell. When the dog saw the meat, the dog would salivate. The saliva would come to his mouth. When the dog heard the bell, he knew it was time to go get the meat. After Pavlov had conditioned the dog long enough, he did not have to put the meat out any more; he simply rang the bell, and the dog would start to drool, but there was no meat.

The American people now know that 90 percent of parity is reasonably fair. It is 10 percent less than fair. Do not misunderstand me. It is reasonably fair. The very phrase "90 percent" in the field of agricultural economics has signified to the American farm producer

that this is a reasonably fair percentage for one to consider.

Now we have it fixed up. The Department uses the same words, "90 percent," but it is 90 percent of the average market price for 3 years—the preceding 3 years—which under the formula of the administration is always a decreasing price.

I call the attention of the Senator to our minority views, to which the Senator from Wisconsin contributed so much, and which, together with the junior Senator from Missouri, I also signed. They point out—and these are from the Department of Agriculture statistics—that the total carryover of feed grains at the end of the 1957-58 marketing year will be 62 million tons, almost double the 1952-56 average.

I regret that we did not go back before 1952, because it is over 300 percent greater prior to 1952.

This administration has really had a farm program which has filled the grain bins.

Mark you, Mr. President, the administration has been telling the American people through the columns of the Reader's Digest, the Saturday Evening Post, and the daily newspapers—through every conceivable medium—that their program would save the taxpayer money. I charge that the taxpayer has had the greatest roller-coaster ride he has ever had in his life; the most expensive farm program the Nation has ever known.

This administration has spent 600 percent more money on agriculture in a year than the preceding administration spent in any single year—six times as much this year. How many of our citizens know that? The administration has spent \$6 billion in 1 year. It results in more trouble.

Last year the administration spent \$5 billion. That man Harry Truman, who was assailed day after day in this Chamber, and that man Charles Brannan, a former Secretary of Agriculture, who was called every name in the book—Harry Truman, Charlie Brannan, and all the New Deal and Fair Deal planners put together could not figure out how to spend more than a billion dollars.

But another crowd came into power. They are used to living on caviar. They like expensive living—vicunas and all. They have spent \$6 billion in 1 year. What have they got for it? They have 300 percent more feed grain stored up than ever before. They have twice as much as we had as the average in the years 1952-56.

Comparing 1952 with 1957, the prices of feed grains declined 29 percent. Is that not interesting? This administration says that if the prices are cut down a little bit, dear fellow citizens, if they are leveled off a little, it means that the farmers will not produce so much. There will not be so much incentive to get prices down.

The whole philosophy of the administration is a depressed-price philosophy. The lower the prices, the more production. The lower the prices, the more unsatisfactory the business. The more stored grain, the lower the prices, the

fewer the farmers. What a system. If we stayed up all night and locked ourselves in a madhouse, we could not come up with a worse system.

Mr. PROXMIRE. The Senator is so right. The lower the price, the greater the production. Why? We only have to talk to a dairy farmer; he will tell us why. The fact is that when the price of milk drops, the dairy farmer, who has fixed costs which he has to meet, has, somehow or other, to get enough money to be able to buy the bare necessities of life for his family. In those circumstances, can he produce less milk, and get along on even less income? Of course not. Instead, he is forced to get the last drop of milk he can from his cows, and he is forced to increase the size of his herds or to use feed concentrates or to do anything else he can to increase his production of milk.

Of course, the farm income protection programs that have been in effect have not been uniform or fully adequate. Yet, in a very fundamental way, they have been based upon several sound, workable concepts.

The farm-income and price-support programs have been based upon the concept of parity. Let me read it from the Agricultural Adjustment Act of 1938, as amended:

It is hereby declared to be the policy of Congress to (develop various programs for) assisting farmers to obtain, insofar as practicable, parity prices for such commodities and parity of income.

As defined in section 301 (a) (2) of that act, "parity as applied to income" is described as follows:

Shall be that gross income from agriculture which will provide the farm operator and his family with a standard of living equivalent to those afforded persons dependent upon other gainful employment.

Mr. HUMPHREY. Mr. President, will the Senator from Wisconsin read that again? I hope he will read it again, because it is basic scripture. It is the American dream, the American pledge, the American promise; and I want the occupants of the gallery and those who read the CONGRESSIONAL RECORD to know what the Congress is contemplating doing.

The Congress is contemplating making a pledge that promises nothing more nor less than that the principle of equal treatment is to be scuttled. In this case, it is proposed that Congress base its pledge on 90 percent of the prices for the last 3 years, which, comparatively, were the worst 3 years agriculture has had.

Of course, it is interesting to note that not even a 5-year average is proposed to be used for agriculture.

On the other hand, when industry wishes to arrive at an index, it bases it on 10 years; and for income-tax purposes, in connection with figuring the "ins" and the "outs" in the case of corporate losses, a period of 5 years is used.

But in this case there are some who say, "After all, do not give the farmers so much." I have heard some persons around Washington say, "Well, today there are fewer farmers, so we do not

have to worry about them so much, any more."

So, in the case of the farmers, the prices for the last 3 years are proposed to be used. But the last 3 years were the worst years. Nevertheless, now it is proposed that the farmers receive 90 percent of the prices they received during the roughest time they have ever had; and it is said that that will constitute justice.

Mr. President, I believe that should almost be a subject of conversation at the next meeting of the United Nations Security Council. I think Khrushchev would understand that kind of assistance.

MR. PROXMIRE. Mr. President, in response to the request of the Senator from Minnesota, I shall read that portion of the act again, because this is the scripture that will be provided by the pending bill:

As defined in section 301 (a) (2) of that act, "parity as applied to income" is described as follows—

shall be that gross income from agriculture which will provide the farm operator and his family with a standard of living equivalent to those afforded persons dependent upon other gainful employment.

Mr. President, in all the farm-income legislation enacted since 1938, provisions for price support and for use of marketing agreements and orders are based on this concept of parity farm prices and incomes. The pending bill does not repeal that legislation in so many words. Instead, the bill in effect repeals the parity concept in farm programs, by setting up an entirely new standard in its place.

The new standard proposed by the bill is far from the parity concept. It is about as far from the parity concept as one could go. The price-support standard proposed by the bill for farm programs is, by definition, 10 percent below the previous market price.

What is the point in having supports that do not support? Why must Congress make a mockery of our farm programs? It would be more accurate and more candid to tell farmers frankly that the intention is to strip away the effective programs which have given them some bargaining power in the past 30 years, and to return them to the same economic helplessness that destroyed hundreds of thousands of farm families during the 1920's and the early 1930's.

Mr. President, for many farmers the 1920's and early 1930's were what the 1880's and 1890's were for the laboring people. Some of the laboring people can recall—and others, who are not old enough to recall, can read about those matters in the history books—the 12-hour day, the wages of 10 cents an hour, and the other terrible conditions which existed before the unions became effective and before there were anything like minimum wages or maximum hours or a beginning on the long trail up the hill.

But the program proposed by means of the pending bill would force the farmers and their families to return to the economic helplessness that resulted in

the tragic conditions for such great numbers of farm families in the 1920's and early 1930's. This is why the fight which those of us who oppose the pending bill are making is so crucial and critical, insofar as the farm families of America are concerned.

Mr. President, at this time I shall impose on the Senate long enough to read something which I believe it essential for the Senate to have in mind. I realize that it will be an imposition; but the book from which I shall read is one of the finest books on economics written in the last century. It has been written by a Harvard economist, John Kenneth Galbraith. I shall read from the book because an understanding of his concept of security is absolutely essential to an appreciation and understanding of the entire principle embodied in the pending bill.

Professor Galbraith points out that security is something all of us strive with all our might to get for ourselves and for the economic group in which we are involved; but that when others are involved, we regard security as socialism.

In his book, he points out the following:

The massive reduction in risk that is inherent in the development of the modern corporation has been far from fully appreciated. This is partly because the corporation, unlike the worker, farmer, or other individual citizen, has been able to reduce its insecurity without overtly seeking the assistance of government. It has required elaborate organization, but this has been the product of continuous evolution from the original entrepreneurial enterprise. Farmers, workers, and other citizens, by contrast, have had to seek the assistance of government or (as in the case of the unions) they have had to organize specially for the purpose of reducing insecurity. Consequently their search for greater security has been notorious. By contrast the corporate executive, whose concern pioneered the escape from insecurity, has been able to suppose that security is something with which only workers or farmers are preoccupied.

Myth has also played a part in concealing the effort of the modern corporation to minimize insecurity. There is a remarkable conviction, even on the part of the executives of the largest business corporations, that they live dangerously. As this is written—

And it was written only this year—

no large United States corporation, which is also large in its industry, has failed or been seriously in danger of insolvency in many years. The security of tenure of corporation executives is remarkably high. So is their remuneration. Certainly these bear no resemblance to the insecurity of the fortunes of the business entrepreneur of the competitive model. Individual decisions of corporate management may still turn out to have been wrong. But in the large, diversified corporation, in contrast with the small and more specialized firm, such decisions are rarely fatal.

The riskiness of modern corporate life is in fact the harmless conceit of the modern corporate executive, and it is vigorously proclaimed. Precisely because he lives an orderly and careful life the executive is moved to identify himself with the dashing entrepreneur of economic literature. For much the same reason, the commander of an armored division, traveling in a trailer and concerning himself with gasoline supplies, sees himself

as leading an oldtime cavalry charge. Nothing has been more central to the purpose of General Motors or General Electric than to encompass and eliminate the perils to which the one-time entrepreneur was presumed to be subject. Nothing would be more damaging to an executive reputation in General Motors or General Electric than to launch a product without testing the market, to be caught napping by a technological development, to be unprotected on one's raw material supply or to be caught in a foolish price war. These were once the commonplace risks of entrepreneurship.

But the large corporation has been only the leader in the retreat from risk. Nearly everyone else has participated to the best of his ability and ingenuity, and in the thirties there was an especially widespread effort to mitigate the economic perils of the average man.

That is what we are talking about in this case.

I read further from Professor Galbraith's book:

The Federal Government intervened for the first time with relief and welfare funds to protect the individual from economic misfortune.

This was followed by social security—unemployment insurance and old age and survivor's pensions. Farmers, through public payments and support prices, were protected from some of the insecurity associated with competitive market prices. The unions developed rapidly during this decade. Along with their redress of bargaining power, they provided the worker with protection against capricious or adventitious firing or demotion and thus increased his security in his job.

A little later:

But the effective mitigation of insecurity required another and parallel effort of a far more general sort. The position of the worker who is protected against arbitrary firing by a sound seniority system is far from ideal if he receives an entirely nondiscriminatory discharge as the result of an insufficiency of demand for the product he is making. This is especially so if a general shortage of demand keeps him from finding a job elsewhere. While unemployment compensation is better than nothing, a job is better than either. Even with an effective enforcement of the laws preventing price discrimination—roughly the use by a large firm of its size to exact and offer prices which small competitors cannot obtain or quote—the competitive position of the small retailer in a time of depression is not happy. Regardless of the conditions of competition, it is much better when the demand for everyone's product is good. Farm-support prices are a useful protection against sudden adverse price movements. But a demand for farm products that holds such prices reliably above support levels will be preferred by every rational farmer.

At a time, as during the thirties, when there was great interest in the microeconomic measures to increase security, it would have been surprising indeed had there been no macroeconomic effort with its greater efficiency to the same end. The two efforts would be in the highest degree complementary. In fact, the reduction of insecurity by macroeconomic measures was central in the economic policy of the time. Efforts to eliminate or mitigate the business cycle and to stabilize the economy at a level where the labor force would be more or less fully employed were a principal goal of public policy.

Then, as since, economic stabilization was regarded as an end in itself, but it will now be clear that it was only one part of the broad effort to escape the insecurity which was assumed to be inherent in economic life. The change in attitudes on macroeco-

conomic security during the thirties was remarkable. At the beginning of the decade it was almost uniformly assumed that cyclical fluctuations with accompanying price and employment uncertainties were inevitable. It was hoped by many that they would not be violent. But there was no general confidence that depressions could be tempered by Government action without the risk either of eliminating the self-corrective features of the cycle or simply making things worse. By the end of the decade, under the combined influence of Keynes and the sanguine and experimental mood generated by the New Deal, there was a widespread belief that depressions could be at least partially prevented. The notion that they must be allowed to run their course was virtually extinct. These measures to enhance security in the thirties, the microeconomic and the macroeconomic together, were numerous and massive in their effect, and they were concentrated in the brief span of a few years.

I may say one of them is the very thing we are discussing now. One was the farm bill, the parity bill, which cropped up in our economy.

(While it is convenient to speak of a decade, most of the drive for increased economic security occurred in the 5 years from 1933 to 1938.) Conservatives and liberals alike looked at the measures, and at the mass approval they evoked, and concluded that something new and different had been added in economic motivation.

In the thirties the average man was simply showing the commonplace reaction to the insecurity of the competitive system. In doing so he was following a path that had been pioneered by the modern business firm. He was showing, as ever, that insecurity is something that is cherished only for others.

It was inevitable that farmers and workers in general would be the last to concern themselves with security. Before a man will try to protect himself from sudden changes in his economic fortune, he must have some fortune to protect. Businessmen were first to develop a stake in economic society. They were first, as a result, to become concerned with means, explicit or unrecognized, for safeguarding that stake. In the grim world of Ricardo and Malthus the ordinary citizen could have no interest in social security in the modern sense. If a man's wage is barely sufficient for existence, he does not worry much about the greater suffering of unemployment. Life is a heavy burden in either case. Men who are engaged in a daily struggle for survival do not think of old age, for they do not expect to see it. When the normal expectation of life is very low, sickness and death are normal hazards. A man of 80 does not take out life insurance. He reconciles himself as best he can to the prospect of death. To the landless worker in an Indian village, one of the world's most unfortunate individuals, unemployment is not even a misfortune. It is his normal fortune.

With increasing well-being all people become aware, sooner or later, that they have something to protect. In the very early stages of the evolution of a business concern, the entrepreneur is not much concerned with security. He has little equity to conserve. Only later do he or his descendants begin to talk about their responsibilities to their stockholders. Henry Ford could gamble on the untested idea of producing in a single model the cheapest possible car for the people. It was a breathtaking step. His colleagues discouraged him, but he had nothing much to lose. His grandsons would indeed be derelict were they similarly to risk the present assets of the Ford Motor Co. No criticism attaches to the effort of the modern corporation to minimize risk. It would be delinquent in its responsibilities if it

failed to do so. It would be gambling where it could be sure.

The development in the labor market is similar. As the real wage of the worker increases and also as employment becomes more certain, unemployment and the absence of income acquires its contrasting horror. With increasing income it also becomes possible to think of old age: the individual expects to survive, and old age without income is differentiated, as it was not before, by the prospect of discomfort. And as health and physical hazard decline, men come to think of them as abnormal rather than normal afflictions. It is not the poor but the well-to-do farmers who find onerous the uncertainties of the market. In the mountain country of Kentucky and Tennessee a depression is not a grievous hazard. Farmers have little to sell; their property has small value. They are therefore little affected by declining prices and not much concerned about declining property values. In the well-to-do regions things are different. In the 1930's it was the comparatively rich farmers of Iowa who threatened the judges who presided over foreclosure proceedings. From these farms came the demands for farm relief. Unlike those of the Appalachian Plateau, these farmers had something to lose.

Thus the notion, so sanctified by the conventional wisdom that the modern concern for security is the reaction to the peculiar hazards of modern economic life, could scarcely be more in error. Rather it is the result of improving fortune—of moving from a world where people had little to one where they had much more to protect. In the first world misfortune and suffering were endemic and unavoidable. In the second they have become episodic and avoidable. And as they became episodic and avoidable, reasonable men saw the merit of measures to avoid them and the possibilities for so doing.

I have more pertinent quotations which directly and sincerely concern the bill, from which I should like to read; but the hour is very late and I understand there has been an agreement that the Senate should recess until tomorrow morning.

Mr. HUMPHREY. Earlier this evening I indicated to the Senator from Wisconsin that it was desired to recess at about 10:15 p. m. If it is satisfactory to the Senator, I should like to move that the Senate recess.

Mr. PROXMIRE. Before the Senator so moves, I simply should like to say, first, that I thank the distinguished Senator from Minnesota for his very, very great help in the colloquy. I appreciate the expert way in which he has brought out the important points of my presentation. I should like to thank the present Presiding Officer, the Senator from North Carolina [Mr. JORDAN], his predecessor, the distinguished Senator from Georgia [Mr. TALMADGE], and my other colleagues and employees of the Senate who have been present. I deeply appreciate it, and apologize for keeping everyone here so long.

I should like to conclude, as I started, by saying that this bill is enormously important to me and to the people I, in part, represent. I feel I have a duty to do my level best to explain the bill in detail, to do my best to explain my reasons for opposing the bill, and to fight it, with all my heart.

Mr. HUMPHREY. Mr. President, I commend the Senator from Wisconsin for his fine presentation. No one ques-

tions the Senator's sincerity and dedication to the well-being of the people of his State and of the Nation. I am sure tomorrow we will hear a great deal of valuable information. I am happy we will be able to hear further from the Senator from Wisconsin.

Mr. PROXMIRE. Mr. President, before the Senate takes a recess, as a matter of convenience, since this will only take a minute or two, and I think it is extremely important, I have here an amendment to provide for loans to farmer associations for the establishment of processing and marketing enterprises. This program would operate very similarly to the present Rural Electrification Administration program, which has been such a remarkable success in the field of rural electrification. I offer this amendment, and ask that it be printed and lie on the table.

The PRESIDING OFFICER. The amendment will be received, printed, and lie on the table.

Mr. PROXMIRE. Mr. President, I offer another amendment which would provide for the distribution of additional food commodities in adequate supply through the school lunch program and directly to State and local welfare agencies. I ask that this amendment be printed and permitted to lie on the table.

The PRESIDING OFFICER. The amendment will be received, printed, and lie on the table.

Mr. PROXMIRE. Mr. President, I offer a third amendment which would provide for a national security and safety reserve of food, fiber, and biological oils. I request that this amendment be printed and permitted to lie on the table.

The PRESIDING OFFICER. The amendment will be received, printed, and lie on the table.

Mr. PROXMIRE. Finally, Mr. President, I offer an amendment which would provide for the expansion of farm exports, by authorizing the President to explore with other nations the possibility of establishing an International Food and Fiber Reserve Bank, and by authorizing the use of surplus farm commodities for financing capital improvements under the Public Law 480 program. I ask that the amendment be printed and lie on the table.

The PRESIDING OFFICER. The amendment will be received, printed, and lie on the table.

ENROLLED BILLS PRESENTED

The Secretary of the Senate reported that on today, July 23, 1958, he presented to the President of the United States the following enrolled bills:

S. 1785. An act designating the reservoir located above Heart-Butte Dam in Grant County, N. Dak., as Lake Tschida, and for other purposes;

S. 1939. An act to amend the Federal Seed Act of August 9, 1939 (53 Stat. 1275), as amended;

S. 2266. An act to provide a method for regulating and fixing wage rates for employees of Portsmouth (N. H.) Naval Shipyard;

S. 3076. An act to amend section 12 of the act of May 29, 1884, relating to research on foot-and-mouth disease and other animal diseases;

S. 3437. An act authorizing the Department of Highways of the State of Minnesota to construct, maintain, and operate a free highway bridge between International Falls, Minn., and Fort Frances, Ontario, Canada;

S. 3478. An act to insure the maintenance of an adequate supply of anti-hog-cholera serum and hog-cholera virus;

S. 3608. An act to revive and reenact the act authorizing the State Highway Commission of the State of Maine to construct, maintain, and operate a free highway bridge between Lubec, Maine, and Campobello Island, New Brunswick, Canada; and

S. 3677. An act to extend for 2 years the period for which payments in lieu of taxes may be made with respect to certain real property transferred by the Reconstruction Finance Corporation and its subsidiaries to other Government departments.

RECESS TO 10:30 A. M. TOMORROW

Mr. HUMPHREY. Mr. President, pursuant to the order previously entered, I now move that the Senate stand in recess until 10:30 a. m. tomorrow.

The motion was agreed to; and (at 10 o'clock and 22 minutes p. m.) the Senate recessed, the recess being, under the order previously entered, until tomorrow, Thursday, July 24, 1953, at 10:30 o'clock a. m.

NOMINATIONS

Executive nominations received by the Senate July 23, 1953:

UNITED NATIONS

The following-named persons to be representatives of the United States of America to the 13th session of the General Assembly of the United Nations, to serve no longer than December 31, 1958:

Henry Cabot Lodge, of Massachusetts.
Michael J. Mansfield, United States Senator from the State of Montana.
Bourke B. Hickenlooper, United States Senator from the State of Iowa.
Herman Phleger, of California.
George McGregor Harrison, of Ohio.

The following-named persons to be alternate representatives of the United States of America to the 13th session of the General Assembly of the United Nations, to serve no longer than December 31, 1958:

James J. Wadsworth, of New York.
Miss Marian Anderson, of Connecticut.
Watson W. Wise, of Texas.
Mrs. Oswald B. Lord, of New York.
Irving Salomon, of California.

COAST AND GEODETIC SURVEY

Subject to qualifications provided by law, the following for permanent appointment to the grade indicated in the Coast and Geodetic Survey:

To be ensign

Will Connell.
Robert P. Michaud.

CONFIRMATIONS

Executive nominations confirmed by the Senate July 23, 1953:

POSTMASTERS

ALABAMA

Oscar A. Lindbergh, Cottondale.
Homer W. Hopwood, Sheffield.

ALASKA

John G. Williams, Sr., Yakutat.

ARIZONA

Ethel V. Rogers, McNeal.

ARKANSAS

Dan C. Griffin, Crawfordville.

CALIFORNIA

Kerg B. Key, Alameda.
John L. Cross, Healdsburg.
William A. Thorne, Irvington.
Howard Neubauer, Pacific Grove.
Walter C. Whitman, Pittsburg.
Ruth E. Christman, Robbins.
Ulis C. Briggs, Ukiah.

COLORADO

Helen I. Horsman, Boone.

CONNECTICUT

Arthur R. Cleary, Bethel.
Leslie S. Mallinson, West Cornwall.

FLORIDA

Howard B. Walker, Dinsmore.

GEORGIA

William Leroy Hogue, Carrollton.
Felton T. Cochran, Dallas.
Leo J. Russell, Rome.

HAWAII

Irene R. Afflerback, Spreckelsville.

INDIANA

Hubert D. Moughler, Waterloo.

IOWA

Lloyd M. Thoensen, Blue Grass.
Donald C. Leinen, Onslow.

KANSAS

Chloe E. Huffman, Englewood.
George Paul Gerardy, Hanover.
Jack D. Warnock, Stafford.

KENTUCKY

Minnie M. Staley, Lackey.

LOUISIANA

Billy R. Johnson, Harrisonburg.
Roberta G. Landry, Mathews.
William A. Bulcao, Slidell.
Alcus W. Magee, Varnado.
Robert P. Kennedy, Zachary.

MAINE

Chandler Bryant Paine, Bar Harbor.
George M. Roberts, Bridgewater.
Grace M. Sullivan, Oakfield.
Raymond M. Flynn, Sanford.
Donald L. LaPointe, Van Buren.

MASSACHUSETTS

Edwin J. Culver, Dalton.
Katherine C. Brown, Littleton Common.
James H. Bradley, Woburn.

MICHIGAN

William Z. Todd, Allen.
Victor J. Haughey, Camden.
Edward A. Bumhoffer, Elkton.
James H. Dorsey, Empire.
Ivan M. Vernon, Flushing.
James Evans, Mackinaw City.
Roby G. Brown, McMillan.
Benjamin E. Voorhees, Jr., Midland.
Roy J. Murray, Port Huron.
Byard G. Raeburn, Sault Ste. Marie.
Hazen J. Smith, South Lyon.
Wayne R. Ignatz, White Pigeon.

MINNESOTA

Edward J. Shega, Babbitt.
Russell C. Rapp, Cleveland.
Arthur Peter Hein, Excelsior.
Cleve R. Austin, Minneapolis.

MONTANA

Neal E. McCurdy, Broadus.

NEBRASKA

James C. Dowding, Bellevue.
Edward W. Divis, Brainard.

Malcolm E. Jensen, Emerson.
Albert W. Metcalf, Hyannis.
Ruth E. Fouts, Maxwell.
Anton Semrad, Prague.
Clement J. Suchanek, St. Paul.

NEW HAMPSHIRE

Clyde R. Seavey, Candia.

NEW JERSEY

Margaret M. Powell, Crosswicks.
Lawrence P. Ivins, Hightstown.
Ellen E. Benson, Lawnside.
Harvey F. Johnson, Monroeville.
Lawrence H. Emmons, Sergeantsville.

NEW YORK

Richard E. Braack, Almond.
George J. Smith, Armonk.
Arthur G. Wood, Ballston Spa.
William Francis Dietz, Blauvelt.
Peter S. Tosi, Boiceville.
Nathan Cyrus Hamblin, Boonville.
Harmon A. Parmele, East Bloomfield.
Lois O. Fancher, Groveland.
Paul Armstrong, Jr., Levittown.
Howard N. Bishop, Little Valley.
Grace E. Pfeiffer, Middle Island.
Minor J. Leonard, Odessa.
Alice B. Larsen, Peconic.
Mildred A. Wolfe, Pike.
Clarence B. Wilmot, Rushford.
Edmund U. Burhans, Saugerties.
William Metcalf, Sound Beach.
Berta R. Fellows, South Salem.
Ronald F. Morse, Windham.

NORTH DAKOTA

Edward J. Ziman, Dodge.
Andrew S. Persson, Edgeley.
Frithjof J. Thorson, Park River.

OHIO

Adeline E. St. John, Bristolville.
Charles Terwilleger, Cozaddale.
Blaine S. Way, Dexter City.
Don D. Farquharson, Hoytville.

OREGON

Robert E. Smith, North Powder.

SOUTH CAROLINA

Urban B. Milhous, Jr., Denmark.
Nenie White Riddlehoover, Plum Branch.

SOUTH DAKOTA

George F. Mortimer, Belle Fourche.
Maynard G. Hatch, McLaughlin.
Helen Olivia Putnam, Quinn.

TENNESSEE

James E. Vann, Flintville.
Hardy W. Walker, Wildersville.

TEXAS

Jacob Truett Welch, Royse City.

UTAH

Roger A. Clark, Emery.
Daniel Clair Whitesides, Layton.

VERMONT

Harold B. Wright, White River Junction.

VIRGINIA

Arthur P. McMullen, Hot Springs.
Elmer H. Kirby, Stanleytown.

WEST VIRGINIA

Victor G. Overbeck, Albright.
Ruby N. McGlothlin, Berwind.
Elmer R. Shafer, Caldwell.
Dale Lilly Dempsey, Coal City.
Lawrence L. Boyles, Mill Creek.
Franklin N. Phares, Valley Bend.

WISCONSIN

Ruth M. Bergstrom, Comstock.
William J. Perlberg, Franksville.
Seth E. Liebenstein, Grafton.
Clarence L. Sutter, Kohler.
Keith R. Gissal, Lannon.
Mike Krultz, Jr., Neillsville.
John A. Zervic, Pewaukee.
George W. Schultz, Stoughton.

HOUSE OF REPRESENTATIVES

WEDNESDAY, JULY 23, 1958

The House met at 12 o'clock noon.

The Chaplain, Rev. Bernard Braskamp, D. D., offered the following prayer:

Romans 15: 1: *We then that are strong ought to bear the infirmities of the weak, and not to please ourselves.*

Most merciful and gracious God, we are daily praying that the soul of men and nations may be touched and transformed by the spirit of brotherhood and good will.

Inspire us to dedicate all our capabilities and capacities to the supreme task of building a civilization ruled by the principles and ideals of the Prince of Peace.

Show us how we may extend and widen the horizon of our sympathy and understanding.

Grant that we may seek to belong to that glorious succession of men and women who have not lived for self and personal advantage.

Hear us in the name of our blessed Lord who went about doing good. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. McGown, one of its clerks, announced that the Senate had passed, with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H. R. 12591. An act to extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended, and for other purposes.

The message also announced that the Senate insists on its amendments to the foregoing bill, requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. BYRD, Mr. KERR, Mr. FREAR, Mr. MARTIN of Pennsylvania, and Mr. WILLIAMS to be the conferees on the part of the Senate.

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 7153) entitled "An act giving the consent of Congress to a compact between the State of Oregon and the State of Washington establishing a boundary between those States."

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 13121) entitled "An act to authorize appropriations for the Atomic Energy Commission in accordance with section 261 of the Atomic Energy Act of 1954, as amended, and for other purposes."

The message also announced that the Vice President has appointed Mr. JOHNSTON of South Carolina and Mr. CARLSON members of the joint select committee on the part of the Senate, as provided for

in the act of August 5, 1939, entitled "An act to provide for the disposition of certain records of the United States Government," for the disposition of executive papers referred to in the report of the Archivist of the United States numbered 59-2.

DEPARTMENT OF DEFENSE
REORGANIZATION BILL

Mr. VINSON. Mr. Speaker, I ask unanimous consent that the Committee on Armed Services may have until midnight tonight to file a conference report on the bill—H. R. 12541—to promote the national defense by providing for the reorganization of the Department of Defense, and for other purposes.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

AUGUST WIDMER

Mr. WALTER. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H. R. 7729) for the relief of August Widmer, with a Senate amendment thereto, and concur in the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment, as follows:

Page 2, line 3, after "act" insert "": *Provided further, That the exemption granted herein shall apply only to a ground for exclusion of which the Department of Justice or the Department of State has knowledge prior to the enactment of this act."*

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

The Senate amendment was concurred in.

A motion to reconsider was laid on the table.

RELIEF OF CERTAIN ALIENS

Mr. WALTER. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the resolution (H. J. Res. 589) for the relief of certain aliens, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 1, strike out lines 3 to 8, inclusive, and insert "That, for the purposes of the Immigration and Nationality Act, Annie Bertha Yarnold shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this act, upon payment of the required visa fee: *Provided, That a suitable and proper bond or undertaking, approved by the Attorney General, be deposited or prescribed by section 213 of the said act."*

Page 1, strike out line 11 and insert "Ngow Lee), and Maximo C. Angeles."

Page 2, after line 20, insert:

"SEC. 4. For the purposes of the Immigration and Nationality Act, Helen Demouchikous shall be held and considered to have been lawfully admitted to the United States for permanent residence as of September 17, 1948, upon payment of the required visa

fee. Upon the granting of permanent residence to such alien as provided for in this act, the Secretary of State shall instruct the proper quota-control officer to deduct one number from the appropriate quota for the first year that such quota is available."

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

LEGISLATIVE BRANCH, APPROPRIATION BILL, 1959

Mr. NORRELL. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H. R. 13066) making appropriations for the legislative branch for the fiscal year ending June 30, 1959, and for other purposes, with Senate amendments thereto, disagree to the Senate amendments, and agree to the conference asked by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas? [After a pause.] The Chair hears none and appoints the following conferees: MESSRS. NORRELL, KIRWAN, ROONEY, CANNON, HORAN, BOW, and TABER.

CALL OF THE HOUSE

Mr. SPRINGER. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. MCCORMACK. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 140]

Ashley	Gavin	Prouty
Bass, Tenn.	Gordon	Radwan
Boggs	Gwinn	Sadlak
Buckley	Hoeven	St. George
Burdick	Hoffman	Shuford
Dies	James	Smith, Kans.
Dowdy	Jenkins	Talle
Eberhart	Kearney	Taylor
Edmondson	Morris	Trimble
Engle	Moulder	Vursell
Feighan	Poage	Watts
Friedel	Powell	Williams, N. Y.

The SPEAKER. On this rollcall 394 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT OF 1930, AS AMENDED

Mr. MILLS. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H. R. 12591) to extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended, and for other purposes, with Senate amendments thereto, disagree to the Senate amendments, and agree to the conference asked by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas? [After a pause.] The Chair hears none, and appoints the following conferees: Messrs. MILLS, GREGORY, FORAND, REED, and SIMPSON of Pennsylvania.

AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954

The SPEAKER. The unfinished business is the question of suspending the rules and passing the bill, S. 3420, as amended, which the Clerk will report by title.

The Clerk read the title of the bill.

Mr. JUDD. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. JUDD. Mr. Speaker, this motion comes under suspension procedure on the bill we considered Monday, so it takes a two-thirds vote to pass it?

The SPEAKER. The Chair thinks that is generally true.

Mr. JUDD. If one-third of the Members of the House—

The SPEAKER. That is not a parliamentary inquiry. The gentleman is trying to make a speech.

The question is, Will the House suspend the rules and pass the bill, S. 3420, as amended?

Mr. JUDD. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were refused.

The question was taken; and on a division (demanded by Mr. JUDD) there were—yeas 195, noes 52.

So, two-thirds having voted in favor thereof, the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

MEDAL FOR DISTINGUISHED CIVILIAN ACHIEVEMENT

The SPEAKER. The further unfinished business is the question on suspending the rules and passing the bill H. R. 488 to provide for the conferring of an award to be known as the Medal for Distinguished Civilian Achievement.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

COMMITTEE ON PUBLIC WORKS

Mr. FALLON. Mr. Speaker, I ask unanimous consent that the Committee on Public Works may have permission to sit this afternoon during general debate.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

HOOR OF MEETING TOMORROW

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet tomorrow at 11 o'clock a. m.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

SMALL BUSINESS INVESTMENT ACT OF 1958

Mr. MADDEN. Mr. Speaker, by direction of the Committee on Rules I call up House Resolution 618 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (S. 3651) to make equity capital and long-term credit more readily available for small-business concerns, and for other purposes. After general debate, which shall be confined to the bill and continue not to exceed 2 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Banking and Currency, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. MADDEN. Mr. Speaker, House Resolution 618 makes in order the consideration of S. 3651, the Small Business Investment Act of 1958. The resolution provides for an open rule and 2 hours of general debate on the bill.

At the present time the business loan program of the Small Business Administration is limited to providing short-term and intermediate-term credit to small businesses when such loans are not available from private financial institutions. This bill establishes a Small Business Investment Division within the Small Business Administration. The Division is authorized to charter privately owned small business investment companies. An additional \$250 million in appropriations to the existing revolving fund of the Small Business Administration is authorized to provide the financial assistance to help meet the initial capital requirements of these new investment companies, as well as for the expansion of their operations. Certain requirements must be met by these companies before loans can be made, and these requirements are spelled out in the bill.

These small business investment companies would, in turn, provide equity-type capital to small business concerns through the purchase of convertible debentures. The manner in which equity capital is to be furnished is set out in the bill. In addition, these companies may make long-term loans under certain conditions for 20 years. Such loans may be extended or renewed for up to 10 more years if necessary to aid in the orderly liquidation of these loans.

The bill also authorizes the SBA to make loans to State and local development companies to enable them to more effectively assist small businesses.

The Securities and Exchange Commission is authorized to exempt securities

which are issued by small business investment companies from the regulatory provisions contained in the Securities Act of 1933 and the Trust Indenture Act of 1939; limited exemption from the Investment Company Act of 1940 is also included in the bill for those small business investment companies which may be subject to regulation under that act.

It is hoped that the provisions of this bill will stimulate the availability of capital funds to small business since it is apparent that small-business firms have a real need for long-term and equity type financing.

I urge the adoption of House Resolution 618.

Mr. Speaker, I yield 30 minutes to the gentleman from Illinois [Mr. ALLEN] and reserve the balance of my time.

Mr. ALLEN of Illinois. Mr. Speaker, I yield such time as he may require to the gentleman from Connecticut [Mr. SEELY-BROWN].

Mr. SEELY-BROWN. Mr. Speaker, I support the rule and I support the legislation made in order by this rule.

Mr. SEELY-BROWN. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

Mr. SEELY-BROWN. Mr. Speaker, I rise in support of S. 3651, as amended by the House Committee on Banking and Currency.

As has already been stated, the primary purpose of the bill we are considering today is to make equity-type capital and long-term credit more readily available for small-business concerns. This would be achieved through encouraging the establishment of privately owned—and I emphasize the words "privately owned"—small business investment companies.

In order to do this job, the proposed legislation would provide financial assistance to help meet the initial capital requirements of these new investment companies and also for a proper expansion of their operations. These new investment companies would in turn make equity-type loans and extend long-term credit to the small-business concerns needing this type of help.

Also included in the bill is a provision which will make possible Federal assistance to State and local development corporations in order to enable them to provide help to small business.

This entire program would be carried out through a new Small Business Investment Division established within the Small Business Administration. No new agency is created. In order to carry out the provisions of this legislation a revolving fund of \$250 million is authorized.

Since this program is an entirely new one and is "on trial," I favor very strongly a constant review by the Congress. Not only will this program be reviewed by the Committee on Banking and Currency, but since its funds must be obtained through annual appropriations, it will also be reviewed by the Committee on Appropriations.

This program does not compete with those presently being carried forward by our conventional financial institutions. In my opinion it gives these existing institutions an opportunity to provide even greater service within the proper limits of our free-enterprise system. Through their own participation in the establishment of privately owned small business investment companies they will be able to increase the service they are presently rendering the small-business community.

Mr. ALLEN of Illinois. Mr. Speaker, I know of no opposition to the rule. It is my understanding there may be some amendments offered. At this time I yield 2 minutes to the gentleman from Indiana [Mr. HALLECK].

Mr. HALLECK. Mr. Speaker, I shall support this rule and I shall support the bill. However, at the request of many of my friends around the country and particularly at the request of the American Bar Association, in compliance and in line with the resolution of the American Bar Association, I propose at the proper time, during consideration of the bill under the 5-minute rule, to offer an amendment. The amendment deals with this proposition. This bill provides for Federal chartering of these profit corporations in the various States for a period of 3 years. The contention in the report is that the State laws are not properly devised to provide for the chartering and hence we need this 3-year arrangement.

The American Bar Association has made a careful study of all the State statutes and can establish beyond any question of a doubt that all of the States do have such legislation as will enable them to grant these charters. So I cannot for the life of me see why we should set up an additional bureaucracy here in Washington to grant the charters, charters of the very same sort that have been granted in the States ever since the beginning of the Republic.

At the proper time under the general debate, and I shall not delay the matter further at this time, I will discuss the matter further and read a memorandum given to me by the American Bar Association and its representatives and, as I say, I will offer an amendment at the proper time to strike out the provision for Federal charter for the 3 years, and have this function carried on in the States, where we have not only the necessary laws but all of the personnel already in existence trained in these matters to do the chartering of these organizations to be created.

Mr. MADDEN. Mr. Speaker, I yield 5 minutes to the gentleman from Texas [Mr. PATMAN].

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

THE SMALL BUSINESS INVESTMENT ACT OF 1958

Mr. PATMAN. Mr. Speaker, the action which the House takes today on this Small Business Investment Act will be

one of the most important actions taken in many years. This bill, if enacted, may well mark the turning point for small business in this country. I earnestly hope that the House will pass the bill without adding to it any further restrictive or crippling amendments.

THE PROBLEM IS WELL KNOWN

Now as to the problem the bill is intended to help solve, I believe this is well understood; and there is general agreement as to what the problem is.

We have a capitalistic, free-enterprise system in this country and we want to keep this system. One of the reasons, however, that the system has been moving toward monopoly is the capital squeeze on small business. The amount of capital required to organize and operate an efficient small firm has been increasing. More machinery, more equipment, and more labor-saving devices of all kinds are required. At the same time, however, the number of families in the local communities with large amounts of personal wealth has been shrinking.

How, then, are small firms to obtain capital funds from the savings of large numbers of families whom the small-business man does not know on a personal basis? How are the savings of those families who would like to invest in small firms with good profit prospects to find their way to these firms? The big corporations obtain equity capital and they obtain long-term debt capital from the centralized stock and bond markets. Where is the machinery whereby small firms might have access to equity capital and to long-term debt capital? There is none. On this there is agreement. As the representative of the American Bankers Association told our Small Business Committee:

The banks, as this committee knows, are not set up, they are not capitalized, they are not organized for the purpose of providing equity capital, and they are certainly not organized for the purpose of providing long-term loans.

This about sums up the problem.

THERE IS AGREEMENT ON PRINCIPLES FOR THE SOLUTION

Now as to the solution of the problem. There have been varying proposals, but almost everybody concerned with the problem has been in agreement on certain principles which are these:

First. It is entirely appropriate for the Federal Government to take action to assist private enterprise in finding a solution to its problem, particularly since in this case the problem affects the welfare of all of our people.

Second. In taking this action, we should have two goals for the system which we would help to set up. First, the individual investment decisions should be made not by a bureau in Washington, but by local businessmen who will be backing their decisions with substantial amounts of their own money.

The second goal of the system is that it should provide for private capital to come in and take over complete ownership and operation of the system, so that there will be no need for the Government to remain in these operations

and the Government will be retired from any part in these operations.

A number of specific proposals to meet these goals has been considered. One proposal which was earlier given primary consideration is found in the small business capital bank bill, which was introduced by the Democratic members of the House Small Business Committee, Representatives EVINS, MULTER, YATES, STEED, ROOSEVELT, BROWN of Missouri, and myself.

After these bills were introduced in the House, the distinguished majority leader of the Senate, the Honorable LYNDON B. JOHNSON, introduced it in the Senate, and immediately set to work to try to obtain agreement on that bill. The upshot was that wide agreement could not be obtained, and I have reason to believe that the administration expressed a strong opposition to the bill.

As a consequence, Senator JOHNSON of Texas then had worked out and introduced the bill which is before us now—the Small Business Investment bill. I introduced the bill in the House, believing strongly that it is the best bill on which wide agreement could be obtained. The bill does not contain many of the provisions which I would like to see in it. Principally, it does not contain provisions for setting up a regional capital bank system which I believe is needed to assure a continuing program and one which will be fully attractive to private capital. It is, however, a good bill; it takes a giant step in the right direction, and in the Senate it has already received wide agreement. For the success with which the bill has met so far, the country is deeply indebted to the highly-skilled and devoted efforts of Senator LYNDON JOHNSON, to the chairman of the Small Business Subcommittee of the Senate Committee on Banking and Currency, Senator CLARK, to the many years of skilled and devoted preparatory work which has been done by Senator SPARKMAN and other members of the Senate Small Business Committee, as well as to the very able and devoted staffs of the Senate Banking and Small Business Committees.

THE BILL SHOULD BE ACCEPTED WITHOUT SUBSTANTIVE AMENDMENTS

As I indicated on Tuesday of last week, I will offer a few amendments to the bill which I will discuss later. These are, however, merely conforming amendments. They will do nothing more than to give permanent authority to the program set out in this bill, in order to conform the bill in this respect with the change which has been made and accepted in the Small Business Administration bill, since this bill was passed by the Senate. The Small Business Administration will now have a continuing life until such time as Congress sees fit to terminate its authority; and so, too, the conforming amendments I will offer will put this bill on the same basis.

I hope that the Members will not insist on any substantive changes in the bill, at least in any change which would further restrict the assistance to small business which is now contained in the bill. The House Committee on Banking and Currency has already adopted 10

amendments to the bill. On the whole these are restrictive amendments which tend to cut back or handicap use of the authority provided in the Senate bill.

Now as to what the bill does.

It authorizes an appropriation of \$250 million to the Small Business Administration which will be used to aid in a new type of small-business financing. It is intended that small firms will be able to obtain through this program both equity capital and long-term loans, loans for periods of up to 20 years.

HOW INVESTMENT COMPANIES WILL BE FINANCED

The bill authorizes the formation of local small-business investment companies. These companies will be formed voluntarily, and they may be formed by as few as 10 local businessmen. If the SBA sees fit to charter such a company, the company is in business.

To begin operations, however, a small-business investment company must have at least \$300,000 of capital. Of this amount it may obtain half, or \$150,000, from the Small Business Administration. In putting up this \$150,000, the SBA will take from the investment company subordinated debentures. By subordinated debentures it is meant that these will not have the first priority claim on the assets of the investment company. They will stand much in the position of preferred stock in case of liquidation of an investment company.

The local company may then obtain additional risk capital from private sources, and it may obtain additional loans from private sources. In addition, it may obtain additional loans from the SBA on terms and conditions that are satisfactory to the SBA, but with one restriction which is set out in the bill. The restriction is that the SBA cannot lend to an investment company an amount which is greater than 50 percent of the capital of the investment company. So much for the way in which the investment company will obtain its funds.

INVESTMENT COMPANIES MAY INVEST IN OR MAKE LOANS TO SMALL CONCERNS

Now as to how the small-business investment company may make capital available to small firms.

It may do this in either of two ways. The investment company may make loans on convertible debentures of the small-business firm. This, however, gives an option to the small-business investment company of converting these debentures to stock in the companies at a later time, if it should care to do so. A second authority which the investment company has is to make outright loans to a small-business firm for a period running up to 20 years. It may make equity capital available to a small-business firm, in which case it will take in exchange for its capital, convertible debentures. These debentures will give the investment company the option of exchanging for common stock of the small-business firm at a later time, if the investment company cares to do so. In case an exchange is made, it will be made at a fair value of the stock determined at the time the convertible debenture is accepted.

In addition, the investment company may make loans to the small-business company which are so soundly secured as reasonably to assure repayment. Such loans may be made either by the investment company alone, or by the investment company in participation with private lenders.

Now there is a limitation as to the amount of capital which the investment company can put into any one small-business firm. Counting both the equity capital and the loan capital, if any, the investment company may not lend to any individual firm more than 20 percent of its total capital. In the case of loans, SBA will determine the interest rate. So much for the methods of financing through local investment companies.

SBA MAY LEND TO STATE DEVELOPMENT COMPANIES

Under the authority contained in this bill, the SBA may also make loans to State-chartered development companies. The bill contains two authorities for this.

First, the SBA may make a loan to a State-chartered development company, for the general purposes of this act, provided only that it may lend the State development company no more than the company has borrowed from other sources.

In addition, the SBA may make other loans to both State and local development companies where the funds are to be re-lent to specific small-business firms, but such lending can be only for the purpose of plant construction, conversion, or expansion. The limitation on the amount of these loans is that the SBA may lend no more than \$250,000 for each identifiable small-business firm involved in the project.

Interest rates on loans to State development companies will be determined by the SBA Administrator.

Let us now look at this bill as a whole and try to appraise it. What kind of program does it provide? Does it provide for a vast outpouring of Federal funds to small business? Does it create a subsidy for small firms which will bring about an unfair situation for their big-business competitors? Let us consider the size of the program first, as compared to the need.

FEDERAL FUNDS SMALL COMPARED TO THE NEED

According to authoritative estimates, such as those made by the Department of Commerce, business investment even in this recession year of 1958 will be in the neighborhood of \$30 billion. This means that about \$30 billion will be spent on new plants, new retail outlets, new business equipment of all kinds to expand or modernize physical equipment.

The question of who will make this tremendous investment is one of utmost importance to our free-enterprise system and to the welfare of the whole Nation. Will this expansion and modernization of business equipment be made almost exclusively by the big corporations, as has been the case in previous years? Or will small firms participate in better proportion than in the past?

The bill provides \$250 million of Federal funds for the entire small-business program. This would be only a drop in the ocean even if the full \$250 million

were to be lent or invested in a single year. In other words, if the program provided not \$250 million for all time, but \$250 million a year, each year, these Federal funds would amount to less than 1 percent of the amount of new business investment being made each year.

FEDERAL FUNDS SMALL COMPARED TO SUBSIDIES TO BIG BUSINESS

Now how does this tiny amount of Federal funds compare with the Federal subsidies going to big business? Let me take just one example which is directly related to new investment in business equipment.

Since the beginning of the Korean hostilities, the Office of Defense Mobilization has given out some \$28 billion in tax amortization certificates to business firms. This has been almost exclusively a big-business program and a big-business subsidy. The sketchy reports which have been made on this program in the past have indicated that big business received more than the lion's share of these tax amortization certificates. What are these certificates?

The general agreement is that these certificates are in effect long-term loans, and not only that, they are interest-free loans. The business firm receiving one of these certificates pays for new, modernized, or expanded business equipment out of taxes, usually within a period of 5 years. For example, a hydroelectric dam which would be good for 50 or 100 years can be written off out of taxes in 5 years. But the certificate is not an outright gift. Writing off a new plant in 5 years, instead of the normal 25 or 30 years, simply means that the company pays back what are in effect borrowed funds in future tax years. So this \$28 billion of tax amortization certificates has amounted to \$28 billion of loans to business—and mostly to big business—on an interest-free basis for about 25 to 30 years. Certainly, we are providing nothing in this program for small business which is nearly as generous; and the program which is provided will not begin to offset, or even up the Federal subsidies which have gone into big-business investment through this tax program alone.

LESS THAN THE ANNUAL INTEREST ON INTEREST-FREE LOANS TO BIG BUSINESS

I might add that while the tax amortization program was enacted on the theory of building up productive strength for defense purposes, in reality almost every conceivable kind of business has been eligible for these certificates and has received these certificates. About the only kinds of businesses which have not been considered as adding to our economic strength for defense purposes are entertainment, finance, insurance and real estate businesses.

How does the cost of this small-business bill compare with the tax amortization certificates of the past 8 years? We might compare it this way: If the companies that have received these certificates were paying interest on their interest-free loans from the Government at a reasonable rate, those interest payments would amount to several times \$250 million each and every year.

In other words, if these companies were paying 3 percent interest, this would amount to \$840 million a year. So, the whole \$250 million of Federal funds in this bill is less than 1 percent of the annual interest on the \$28 billion of tax certificates that have been handed out, mostly to big business.

The \$250 million in this bill is not, of course, to be made available in 1 year. It is the amount authorized to be made available for many years to come. And actually none of this money is being made available by this bill. The bill as it has been amended by the House committee only authorizes this amount of money to be appropriated. So, after we pass this bill, there is still a question whether any money will be appropriated for the program, and if so, when and how much.

BIG BUSINESS RAISES "COSTLESS CAPITAL" BY TAKING IT FROM THE PUBLIC

Big business receives many other kinds of subsidies which help it to raise capital. Probably the greatest and most direct subsidy of all comes about from the fact that most of the big corporations are so insulated from competition that they can raise all, or almost all, of the capital they want for expansion, taking it away from the public in the prices they charge for their products and services.

For example, how many times have we seen announcements from the steel industry over the past 5 years that the steel companies were raising prices because they needed money to expand productive capacity? How many times have we seen the big auto manufacturers build new plants out of funds which they have taken away from the public? The truth is that the big auto companies really do not need to go into the capital markets to get expansion funds. They simply add \$50 or \$100 onto the price of their automobiles to raise these funds which are over and above the amount of the profits they take in order to pay the stockholders handsome dividends.

In other words, by allowing the monopolistic corporations, the so-called administered-price corporations, practical exemptions from both the moral laws and the statutes against monopoly, the Federal Government is, in effect, giving these corporations the power to tax the public to raise whatever funds they wish to have for expansion and for other purposes. This is a subsidy for which the public pays and a subsidy which benefits only the existing stockholders and the corporate managements. According to the traditional principles of the capitalistic system, the corporation that wants to expand should go to the market for new capital and sell stock to those who want to invest in the new venture. But what the big corporations are doing is forcing consumers to make involuntary investments in the corporations and giving consumers no rights or returns for their investment.

TAX STRUCTURE SUBSIDIZES BIG BUSINESS INVESTMENT

Add to this the peculiarities of our tax system which practically force feed investment funds into the big corporations and we have a complex of Federal poli-

cies which is bound to channel investment funds into the big, already-established corporations. And as available investments funds are channeled into expansions of monopoly power, these funds are necessarily channeled away from new firms and away from firms that are insufficiently capitalized. What big stockholder would want to draw all of his share of the annual profits out of the corporation, knowing that he is going to reinvest a portion of those profits? Why would any stockholder of sound mind want this and pay the individual income tax on income which is going to be reinvested anyway? Why not leave the income with the corporation to invest and avoid the income tax?

So, our tax structure provides still another subsidy. The big corporations not only have what is in effect the power to tax the public, they also have the power to relieve their stockholders from taxes on what they take away from the public.

Considering this Small Business Investment Act realistically then, it is an extremely modest program. It is a good program. It is necessarily experimental in many of its features and after it has been tested by practical experience, amendments to the program will no doubt prove to be needed. We cannot hope to write a perfect bill, a bill that will anticipate all of the problems likely to arise. But certainly this bill is no off-hand matter. A great deal of intense and careful work has gone into it. I hope the House will accept it. If the SBA makes a devoted and vigorous use of the authority which the bill provides, it will be a great forward step for small business. In this, SBA will have an extremely grave responsibility. If that agency fails to use promptly and vigorously the authority provided in the bill, if it fails to encourage local investment companies to form and to pursue the objectives of this bill, it will in the matter of a year or so kill off this program, kill off the small-business financing idea, and kill off the hope of maintaining small firms in our business system.

ESSENTIAL TAX PROVISIONS ARE YET TO COME

Now, there are certain tax provisions yet to come which are essential to the success of this program. These are provisions to fit the new investment companies which are to be formed under this bill into the tax structure.

As the bill was originally introduced in the Senate and in the House, it contained provisions to amend the Internal Revenue Code with respect to these new investment companies in two respects:

First, with reference to the investment company's position under the corporate income tax: There is a provision which would make 100 percent exempt from this tax the dividends which the investment company might receive on any stocks it may hold in small business firms. The normal exemption for corporations is 85 percent.

Second, with reference to the Federal income tax on individuals: There is a provision which would allow the individual who invests in the stocks of one of the local investment companies and

suffers a loss on that stock, to treat this as an ordinary loss, rather than as a capital loss. And this would also allow the small business investment company to treat such losses as ordinary losses. In other words, this would extend to the small business investment companies, and to individuals investing in these companies the same kind of privilege which the 1954 Revenue Code gave to banks and trust companies with reference to their losses on investments in bonds.

Since the Senate acted on the bill before the House had acted, these two tax provisions were removed from the Senate bill for the reason the provisions are technically revenue measures, and such measures cannot constitutionally originate in the Senate. It is the Senate bill, with amendments, which is before the House today. It is our understanding, however, that the tax provisions have been incorporated in another bill, H. R. 8381, the Technical Amendments Act of 1957, and that an agreement has been reached with the Ways and Means Committee and the Senate Finance Committee that both the House and the Senate will be given an opportunity to vote on these provisions. This understanding is set out in the report submitted by our distinguished chairman of the House Committee on Banking and Currency to accompany the bill we are discussing today—House Report No. 2060, 85th Congress, 2d session, to accompany S. 3651, page 10. We trust that will be the case, because, as I have indicated, we feel that these amendments to the Revenue Code are essential to the success of this small-business financing program.

We have reason to be confident, furthermore, that the House will pass these provisions, if given a chance to vote on them. The action of the House on Monday in passing the Small Business Tax Revision Act of 1958 illustrates the basis of such confidence. The Small Business Tax Revision Act, while it provides only technical amendments and not a general tax reduction for small business, these technical amendments nevertheless provide substantial benefits for small firms. It is extremely heartening that the House passed that bill by a suspension of the rules requiring a two-thirds vote, and it passed the bill almost unanimously. This action has demonstrated that this Congress is aware and deeply concerned about the problems that are working against small business and wants to pass sound measures to correct these problems.

EXCERPTS FROM REPORT OF THE HOUSE SMALL BUSINESS COMMITTEE

Before taking up the conforming amendments which I will offer, I would like to insert at this point in the RECORD the introduction, the conclusions, and the recommendations from our Small Business Committee's report on this small-business financing legislation—from House Report No. 1889, 85th Congress, 2d session—and also two letters from a small-business man which are complimentary to our committee's report.

Furthermore, I commend to all the Members a reading of our Small Business Committee's entire report. The members of the Small Business Committee have, in my opinion, done a landmark job in their investigation, hearings, and report on this legislation. The members of the Small Business Committee, of which I am highly honored to be chairman, are as follows: Hon. JOE L. EVINS, Democrat, Tennessee; Hon. ABRAHAM J. MULTER, Democrat, New York; Hon. SIDNEY R. YATES, Democrat, Illinois; Hon. TOM STEED, Democrat, Oklahoma; Hon. JAMES ROOSEVELT, Democrat, California; Hon. CHARLES H. BROWN, Democrat, Missouri; Hon. WILLIAM S. HILL, Republican, Colorado; Hon. R. WALTER RIEHLMAN, Republican, New York; Hon. HORACE SEELY-BROWN, JR., Republican, Connecticut; Hon. WILLIAM M. McCULLOCH, Republican, Ohio; Hon. TIMOTHY P. SHEEHAN, Republican, Illinois; Hon. ARCH A. MOORE, JR., Republican, West Virginia.

PROBLEMS OF SMALL-BUSINESS FINANCING

I. INTRODUCTION

The Select Committee on Small Business was reestablished in the 85th Congress by the House of Representatives on January 31, 1957 (H. Res. 56). By this resolution the committee was authorized to conduct studies and investigations of the problems of all types of small business.

One of the problems presented to the committee by representatives of small business said to be of vital importance are the difficulties faced in securing adequate capital. It was alleged that small business cannot survive and grow unless it can find the capital needed for use in day-to-day operations, research, and development, modernization, and expansion. The representatives of the Smaller Business Association of New England, Inc., a voluntary nonprofit association of small-business men, were among the first to present their views of this problem to the committee. Their presentation was well organized and effectively placed before the committee in a visual demonstration prepared by Technifax, Inc. The presentation was repeated near the beginning of each of the sessions of the 84th Congress and during each of the sessions of the 85th Congress.

Previously a number of studies had been made of small-business financing in the United States. One was made by the United States Department of Commerce in 1935. Others were made by Dun & Bradstreet, the Committee for Economic Development, the Subcommittee on Investment of the Joint Committee on the Economic Report in 1949, by the Federal Reserve Board in 1952 and again in 1955, and by the Department of Commerce in 1955. Almost without exception the conclusion was reached that under the existing setup of our economic structure that steps should be taken to assist in preserving—"an open door for investment in little and local businesses in terms of ownership as well as in terms of debt."

On May 5, 1950, the President of the United States presented to the Congress a message regarding the problems of small-business financing (see H. Doc. 584, 81st Cong., 2d sess.). In that message the conclusion was reached that financial institutions are not meeting the expansion needs of small business. It concluded with the words: "This gap should be filled. . . . I, therefore, urge the enactment of legislation . . ."

When the House Small Business Committee adopted its program of study and in-

vestigation of the problems of small business on March 12, 1957, it included as one of its principal projects a study of the problems of small-business financing. Soon thereafter the chairman of the committee sought up-to-date factual information on the subject from the Board of Governors of the Federal Reserve System. The following exchange of correspondence took place:

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM,
OFFICE OF THE CHAIRMAN,
Washington, D. C., May 10, 1957.
Hon. WRIGHT PATMAN,
House of Representatives,
Washington, D. C.

DEAR MR. PATMAN: This is in reply to your letter of April 30 expressing interest in certain data relative to small-business financing along the line of material included in the Board's survey of bank loans to business as of October 1955.

There is a very real need for solid information on the financial position and problems of small business that goes far beyond the type of data obtainable by surveying bank loans. That need is for the best and most comprehensive factual and analytical material it is possible to develop on this matter of wide and vital interest.

This is a question with which the Board has been concerned for some time. However, it is not a matter of concern to the Board alone, nor one exclusively in the Board's domain. The matter is of equal concern to a number of committees of the Congress and several departments and agencies of the executive branch.

The problems of small business, in respect to credit and capital and related matters, have, for example, drawn the attention for some years of the Small Business and the Banking and Currency Committees of the House and Senate, the Joint Economic Committee, the Council of Economic Advisers, the Commerce and Treasury Departments, the Small Business Administration, the Federal Trade Commission, the Securities and Exchange Commission, and others. Also, the subject will doubtless be of interest in connection with the study of financial matters that the Senate Finance Committee is planning at this time.

If the true needs for information relative to the financing problems of small business are to be met, it would appear to us highly desirable that an effort be made on the part of all these groups to formulate means of arriving at material that will at once be comprehensive and broad enough to cover the informational requirements of these groups and be of a scope and quality satisfactory to all. The Board would cooperate to the full in efforts to formulate and carry out such a study. The Board recognizes that such an undertaking would involve a considerable expenditure of time and money. To be worthwhile, such an undertaking would have to be comparable in breadth of coverage to the study of consumer installment credit undertaken by the Board at the request of the President. As you know, this study required about 12 months' intensive efforts of part of the Board's comparatively small staff, plus the use of several outside survey and research organizations. As you further know, that study entailed direct costs approximating \$380,000.

The necessity for such a comprehensive undertaking has been highlighted by efforts in the past, both on our part and on the part of others, to obtain certain limited information by means readily at hand. Recently, for example, we developed what we believed to be revealing data on the trends in bank lending to businesses of various sizes from a quarterly survey on interest rates charged by banks on business loans. The information has been given to members of your staff. This material, while informative as far as it goes, is not sufficient to meet the

basic needs which you, as well as we, have in mind.

The same inadequacy is true, unfortunately, for the type of information obtainable in a bank-loan survey. Such a survey would be extremely complicated and time consuming, yet would add little to the data on bank financing of small business available from the existing quarterly survey and the regular call reports.

In view of the above, the Board has requested our Director of Research, Mr. Ralph A. Young, to deliver this letter to you personally and to discuss the matter with you.

Sincerely yours,

WM. MCC. MARTIN, Jr.

JUNE 25, 1957.

Hon. WM. MCC. MARTIN, Jr.

Chairman, Board of Governors of the
Federal Reserve System, Washington, D. C.

DEAR MR. MARTIN: This is with further reference to your letter of May 10, in which you suggest the possibility of a broad study of small business financing problems which would meet the needs and interest of several other committees of both the House and the Senate.

Frankly, when Mr. Young brought this letter by my office and presented it as an alternative to my earlier request for information on small-business financing, I was not favorably impressed with the suggestion since, among other reasons, it occurred to me that a proposal which hinges upon obtaining cooperation and agreement among so many different committees would unnecessarily delay matters.

After further reflection on your letter, however, and upon rereading it, I am now of the view that your suggestion for a broad fully rounded study of all aspects of small-business financing is one of considerable vision which I did not immediately appreciate.

Consequently, I am now exploring this proposal with some of the other committees which you mentioned, and it seems to me quite possible that this will eventuate in a later request for a study of the kind that you have suggested.

I am,

Sincerely yours,

WRIGHT PATMAN.

On May 20, 1957, the chairman of the committee wrote to officials of the leading banking and life-insurance institutions, requesting their assistance in accumulating factual data on this subject. Those requests prompted lengthy conferences and negotiations with representatives of life-insurance companies and leading banking institutions and their representatives in the American Bankers Association. The result was the working out of an arrangement providing for the life-insurance companies to make a survey of their activities respecting small business and report the results of that survey through the offices of the research director of the Life Insurance Association of America. An additional understanding was reached that the requests submitted to the leading banking institutions would be held in abeyance providing that they and other member banks of the Federal Reserve System cooperated in the making of a survey to be conducted under the supervision of the Board of Governors of the Federal Reserve System regarding the advances of finances by members banks to small-business concerns.

A comprehensive report was submitted to the committee by the research director of the Life Insurance Association of America. It appears in the record of the committee's hearings on the problems of small-business financing, pages 125-185. Parts I and II of the study on financing small business, which was conducted under the supervision of the Board of Governors of the Federal

Reserve System, were put in writing and reported on April 11, 1958, to the Committees on Banking and Currency and on Small Business of the Senate and the House.

In the meantime, the House Small Business Committee has continued its study of the problem. Hearings were held November 19, 20, 21, and 22, 1957, and on April 16, 17, and 28, 1958. The record of those hearings contained 607 printed pages, and includes the testimony of a large number of prominent experts in the world of finance. The Chairman and all members of the Board of Governors of the Federal Reserve System testified, as did 4 of the presidents of the 12 Federal Reserve banks. The Secretary of the Treasury and other high policymaking officials of the United States Government appeared before the committee and testified. The president of the Committee for Economic Development and representatives of other private research organizations presented their views for inclusion in the record. The record is replete with statements setting forth the views of representatives of small business.

VI. CONCLUSIONS

Financial needs of small business

1. Financial needs of small business can be divided into short-term credit, which is credit required for period of less than 1 year; long-term credit, which is credit required for periods in excess of 1 year; and equity financing, which is permanent investment capital.

2. Short-term credit is not as much of a problem as long-term financing. About two-thirds of small firms are in retail trade and service industries. In these lines working capital needs, some of which are of a seasonal nature, are apparently fairly adequately, even though expensively, taken care of by commercial banks, business suppliers, and specialized financial institutions, such as sales and finance companies. An additional fifth of small business is accounted for by wholesale trade and construction, where the short- and medium-term credit facilities of existing institutions do not present the problem in long-term financing.

3. Although the largest segment of small business, retail trade, needs mainly short-term credit, most of the unsatisfied demand of small business in general is for long-term loans, equity, or equity-type capital. This demand arises from firms that are able and willing to grow. It is usually the small business with ambition to grow, and to grow rapidly, that is most aggressively seeking additional funds.

4. Although the core of the small business financing problem seems to be in the manufacturing area, small firms in some segments of the service industries, as well as the mining, construction, and trade fields, have financing problems. The unsatisfied demands that appear to have greatest economic justification are mostly those of new firms or concerns with new lines or processes. Such firms need working capital as well as funds to finance plant and major equipment installations. This need is for long-term credit or equity capital.

5. The major needs of small businesses for long-term loans or equity financing are to provide venture capital at the inception of a new business; capital for growth of the established small business which includes expansion needs and survival or maintenance of market position; and funds for continuity of the business or transference of ownership; sometimes necessitated by death of one partner or part owner and sometimes by estate tax problems.

6. Many small businesses are in the short-term capital market because of the inadequacy of long-term capital. A small-business operator on friendly terms with his banker may actually borrow on a short-term basis with both himself and the banker knowing that he intends to renew the loan at ma-

turity. Thus, a series of renewals of short-term loans is in reality a long-term loan. The banker enters into this relationship to help the small-business operator until he can establish long-term credit while the businessman himself is forced into the short-term credit arrangement as being the only means of securing capital. Should long-term capital be made available to small business in greater amounts, additional short-term capital would be freed to satisfy the unsatisfied demand for short-term capital.

7. If a dynamic small-business community is to be maintained, equity and long-term financing facilities must be provided to permit small business to grow. Therefore, the balance of this summary will deal with equity and long-term debt financing.

Sources of equity and long-term debt financing

1. Sources of capital for business growth are retained earnings, debt, and equity financing. Because of the tax structure and the decreasing value of the dollar, the extent of growth from retained earnings is severely limited.

2. Long-term debt and equity financing of small businesses by the major financial intermediaries such as banks, insurance companies, large institutional investors, small investment funds, personal trust funds, and pension funds is negligible because these financial intermediaries seek seasoned securities in large blocks with active national markets. There is no incentive to seek out riskier investments or to invest in small amounts in small concerns.

3. Current business-loan programs, centered on the Small Business Administration, but also involving the Veterans' Administration, are essentially limited to the provision of intermediate-term credit for working-capital purposes. They do not provide equity financing. Government financing of small business has not been large. At the end of 1957, the combined loan and commitment total for SBA and VA was equivalent to less than 4 percent of small-business loans actually outstanding at member banks a few months earlier.

4. The lending activities of development credit corporations created in recent years has, likewise, been small. At the end of 1957, it was about 2 percent of small-business loans of commercial banks in the States in which development credit corporations were active.

5. When the small-business operator is able to obtain a loan, he pays a much higher rate of interest than his large-business counterpart.

6. Equity capital is provided through the public sale of securities in the capital market and through private sale. When small security issues are offered, the cost of flotation is considerably greater than for large issues.

7. From the standpoint of private sale of securities by the small-business operator, even if he has access to private investors, he is limited to a relatively small number of investors who may be willing to provide capital only at a relatively high cost or who do not have sufficient knowledge to judge the prospects of the firm, in particular when the concern is new.

8. Small firms have obtained equity funds mainly through personal, informal contracts. Personal sources make for an uneven distribution of available equity funds with the result that among firms with equally valid claims to additional resources, some may obtain them and others not.

9. Wealthy men, as individuals, as partners in investment banking houses, or as corporate officers, are the backbone of the venture-capital market for small business.

Need for Government assistance

1. A properly functioning economic system should allocate financial resources ac-

cording to the potential profitability of their use, without regard to the size of the receiving unit. Since the Government controls the financial mechanism of our economy, it becomes the responsibility of public policy to keep the process of allocation of financial resources from being disturbed or distorted by imperfections in the financial mechanism.

2. Provision for anticipated and realized losses is an important expense item in the operating results of Government credit programs. This risk element in a borrowing clientele previously denied credit by private lenders is a major deterrent to any private program. Many innovations in private lending practices to small business have come through the leadership of Government and following direct-lending programs by Government agencies. Unless private capital can lead the way, it is up to the Government to lead and experiment in providing adequate sources of equity and long-term debt capital to small business.

3. The program should be set up to encourage the development of private institutions to take over the financing program once the Government has led the way and established the program.

4. Emphasis should be placed on security for the loan, including insurance on the life of the small-business operator where practical, and maximum investment by the small-business operator to the reasonable extent of his ability.

5. The procedure of loan processing should involve intelligent planning on the part of the small-business operator and counseling on business planning and management by the administrators of the program.

6. Loans evidenced by debenture bonds under any program should be considered partly equity and partly loaned funds. There is a very narrow line between equity and loaned funds when the collateral is insufficient to cover the loan in the event of a mistake in business judgment. In effect, long-term debt many times substitutes for capital deficiency. The successes wherein the equity portion of successful ventures would yield high returns would be required to offset the loans or equity capital furnished to ventures which turned out unsuccessfully.

7. There should be flexibility in the administration of the program, administration not by a set of rigid rules or formulas applicable to all business regardless of type, but rather administration on the basis of intent of the program which is to lead the way for the channeling of private funds into long-term debt and equity financing for the small-business community.

8. The program should provide for and encourage immediate participation by private individuals including dissemination to potential investors of the functioning of the program, its purposes, and investment opportunities. Through the program the Government could encourage private capital such as the many small investment clubs in local communities to invest in local small businesses in need of financing for the mutual benefit of both.

Summary

1. The committee concludes and finds there is a gap in the existing structure of financing institutions, which lies in the areas of long-term debt and equity capital for small business. The result is that small-business concerns are faced with a real difficulty in obtaining on any reasonable terms the volume of long-term loans and equity capital required for adequate growth and development.

2. Where the existing structure of financing institutions provides long-term debt and equity capital for small business, small-business concerns are under handicaps and at disadvantages when compared to the financing of larger concerns. This is true because—

(a) Small concerns are required to provide gilt-edged securities in the form of mortgage bonds in order to secure long-term financing, while larger concerns are required, as a rule, to provide only unsecured debenture bonds; and

(b) The smaller concerns usually are required to pay substantially higher interest rates on borrowed money than the larger concerns are required to pay.

3. Federal Government leadership is required in authorizing, promoting and assisting in the establishment of new facilities to provide long-term loans and equity capital for small business. It is only through such leadership and action that facilities for financing small business can hope to succeed in building a national market with public acceptance and purchase of securities based, in turn, upon the securities provided by individual small-business concerns for needed capital.

VII. RECOMMENDATIONS

The committee recommends that legislation be enacted promptly which would provide for Federal Government leadership in authorizing, promoting, and assisting in the establishment of new facilities (for example, small-business investment associations) to provide long-term loans and equity capital for small business. It is further recommended—

1. That the establishment of such new facilities should provide for a national market including public acceptance and purchase of debenture bonds in exchange for the capital needed in providing long-term and equity capital for small business;

2. That the legislation should provide for ultimate private ownership of the newly established facilities even though some financing by the Federal Government is required initially;

3. That the policymaking powers regarding the financing of small business be placed in the hands of officials not in a position to exercise Cabinet control over it; and

4. That the legislation should provide to the greatest extent, consistent with good management, for removing from Washington and Federal Government bureaucracy to the grassroots and into the hands of small-business men the power of decision regarding the financing of any specific business enterprise.

EDWARD J. VAGIM & Co.,
Fresno, Calif., June 27, 1958.

Mr. WRIGHT PATMAN,
Chairman, Select Committee on Small
Business, House of Representatives,
Washington, D. C.

DEAR Mr. PATMAN: I am enclosing copies of two letters addressed to Mr. B. F. SISK, the Representative from this district.

Having been a small-business man for all of the years since I left high school 25 years ago I have been vitally interested in the activities of Congress in all matters pertaining to small business.

The subject report is a masterpiece and I hope that it will be the foundation upon which simple and adequate legislation will be promptly enacted.

My sincere thanks to you and every member of your committee for a job well and expertly done.

Sincerely yours,

EDW. J. VAGIM.

EDWARD J. VAGIM & Co.,
Fresno, Calif., June 27, 1958.

B. F. SISK,
Member of Congress, House Office
Building, Washington, D. C.

DEAR BERNIE: The report of the Select Committee on Small Business of the House was received and I thank you very much for it.

I have just finished reading the report and want you and the committee to know that

I think it is one of the most lucid and concise Government reports that I have ever encountered. The people who prepared this report have covered the entire field of small-business financing in a most comprehensive and intelligent way. Every small-business man should be encouraged to read the report.

Now may I direct your kind attention to the summary and the recommendations at the bottom of page 108 and on page 109. Let's get on the ball and do something about this need. If you have read the report you will know that it is replete with platitudes offered by various groups and individuals over the years. Now that the committee has isolated the problem and posed it in a recognizable way, I hope that Congress will have the courage to tackle and solve it with concise and simple legislation along the lines of the farm credit system.

I am positive that the continued growth and prosperity of our great country will be tremendously enhanced by this kind of legislation. Please send me two more copies of the report as I want to do what I can to stimulate interest in the legislation here. I am writing a separate letter to you in connection with special working capital problems that must be met by small business engaged in the processing of fruits here in California.

Very truly yours,

EDW. J. VAGIM.

Now as to the amendments which I will offer.

The first is intended to remove any time limitation on the authority of SBA to charter small-business investment companies. The amendment is as follows:

Strike lines 9 and 10, page 10, being the last two lines of section 301 (a).

The second amendment will eliminate the time limitation within which State development companies may, with the approval of the SBA, be converted into federally chartered investment companies. This amendment is as follows:

Strike the words "prior to July 1, 1961," and revise the remainder of line 21, page 23, being the first line of section 401 (a), to read as follows: "Any investment."

The third amendment will eliminate the time limitation within which SBA may make loans to State development companies. The amendment is as follows:

Strike lines 16 and 17, page 27, being subsection (6) of section 502.

House Report No. 2060, as does Senate Report No. 1652, explains that the termination date of June 30, 1961, of the authority of the Small Business Administration to charter small-business investment companies was placed in the bill with the thought that within 3 years all States should be in a position to enact the necessary enabling legislation to provide for the chartering of small-business investment companies to operate under this program. Consequently, it was thought that the chartering function in the Small Business Administration would be unnecessary after June 30, 1961.

It is believed that since SBA has now been approved as a permanent agency, the chartering of small-business investment companies by SBA should not terminate June 30, 1961. We should not burden any State with the necessity of

chartering small-business investment companies in order to insure the help we are trying to provide for small business. Perhaps in State A small-business men will form small-business investment companies before June 30, 1961, but will not get around to doing that in State B before July 1, 1961. Therefore, unless S. 3651 is amended as I propose, State B will, of necessity, be burdened with the function of chartering small-business investment companies or small business in that State will then be left without the financing facilities we are seeking to provide.

Of course it is recognized that in about 20 States where State and local development corporations are now in existence, extra means are provided in S. 3651 for supplying small business with needed financing. Small business in those States without State and local development corporations are in a less fortunate situation. For that reason we should make certain that no provision in the bill will operate to restrict in the future small-business men from forming small-business investment companies in those States where State and local development corporations do not exist. For that and other reasons I have mentioned, the amendments I propose should be adopted.

I see no real reason for opposition to these proposed amendments. Therefore, it is hoped that they will be adopted.

Now as part of the background to this legislation, I believe the Members will be interested in the following summary of the history of the development and growth of State development companies.

STATE DEVELOPMENT COMPANIES

Although community industrial development corporations have existed for more than 50 years and are now present in several thousand communities of the Nation, similar privately financed State development credit corporations first came into being with the formation of the Maine Development Credit Corporation in 1949. Quickly the idea took root and spread throughout New England. All States in that region have formed State development credit corporations and all are actively functioning except the one in Vermont. A State-sponsored development credit corporation was established in the latter State in 1953. Since then, the idea has spread with the result that State development credit corporations have been formed in 11 States in other areas and their formation is proposed in 15 additional States in various sections of the country.

The following tabulations list the States in which State development credit corporations have been formed showing the dates on which they were formed and whether they are active or inactive:

TABLE I.—Active State development credit corporations in the New England area

	Year of legislation
State:	
Connecticut.....	1953
Maine.....	1949
Massachusetts.....	1953
New Hampshire.....	1951
Rhode Island.....	1953

TABLE II.—Active State development credit corporations in areas other than New England

State:	Year of legislation
North Carolina.....	1955
New York.....	1955

TABLE III.—Inactive State development credit corporations

State:	Year of legislation
Arkansas Development Finance Corp.	1957
Florida Development Credit Corp.	1955
Georgia State Credit Corp.	1955
Hawaii Business Development Corp.	1957
Kansas Development Credit Corp.	1955
Michigan Development Credit Corp.	1956
Minnesota Business Development Corp.	1957
South Dakota Business Development Corp.	1957
Vermont Development Credit Corp.	1953
Wisconsin Industrial Credit Development Corp.	1955

TABLE IV.—States where development credit corporations proposals are pending

Alabama, Alaska, Arizona, Illinois, Kentucky, Montana, New Jersey, New Mexico, North Dakota, Oregon, South Carolina, Tennessee, Virginia, Washington, West Virginia.

TABLE V.—States or Territories in which industrial credit authorities are active

Pennsylvania, Mississippi, Puerto Rico.

The State industrial authorities are to be distinguished from State development corporations in that the State development corporations are privately financed organizations while the industrial authorities are publicly owned or publicly supported.

From the foregoing tables, it is shown that of the 48 States 7 have active State development credit corporations, 2 have active State industrial authorities, 10 have inactive State development credit corporations, and in 15 proposals are pending for the establishment of State development credit corporations or authorities, thus accounting for action in that regard in 34 States.

The North Carolina Business Development Corp. is the only true active credit corporation outside of the New England area. The New England area has active development corporations as above noted in the States of Maine, New Hampshire, Connecticut, Massachusetts, and Rhode Island. Although the earliest corporation in the New England area was Maine, established in 1949, the most active and the most successful is the Massachusetts corporation, which was established in 1953. In fact the Massachusetts corporation appears to be the prototype for most of the activities which are now taking place through the corporations, not only in New England but in other areas. Therefore, a discussion of the Massachusetts Business Development Corp. would appear to be of value.

The Massachusetts Business Development Corp. operates on the philosophy that small- and medium-size businesses need long-term capital to expand and stay in business under conditions of rising working capital requirements. That factor is to be distinguished from the need for short-term credit. House Report 1889 from the House Small Business Committee, June 19, 1958, on the problems of small-business financing dis-

cussed in detail small-business needs for equity and long-term capital and pointed out that day-to-day and short-term financing of small business is far less of a problem than that of long-term financing.

Although there are differences in the details of their organization and operations, the State development corporations do not differ fundamentally. The stock in each is sold to public utilities, industrial and commercial enterprises, and to individuals interested in the economic welfare of the State. Members of a corporation, who are banks and insurance companies, agree to lend a small part of their resources on a pooling arrangement so that a small amount from each of many members creates a sizable loan pool. The outstanding loans from members cannot exceed a certain ratio. In Massachusetts, for example, the maximum is \$8 debt for each dollar of share capital. This ratio varies among the States. The ratio in Massachusetts is 12 to 1, in Connecticut 10 to 1, but in most instances the corporations have not yet sold enough stock to enable them to borrow the full amount already pledged to them from member lending institutions.

There is a close connection in the administration of the State development corporations with the executive personnel of the lending banks and insurance companies. Ordinarily a State development will not make any loan that a member lending institution itself will make to the applicant for the loan.

The potential resources of the existing State development corporations are far greater than the amounts which have been pledged by their lending members. In Massachusetts the lending members have pledged about \$11 million out of a potential of approximately \$20 million. Therefore, the problem appears to be one of selling more shares of stock in many of the States that have the State development corporations. The capital stock authorization for the State development corporations ranges from \$150,000 in Maine to \$4 million in Massachusetts. Originally the development credit corporation of Maine had an authorization for only \$50,000 capital stock. It subsequently was increased to \$150,000 and only \$92,000 has been sold. Of the \$4 million authorized capital stock of the Massachusetts Business Development Corporation, \$763,510 had been sold as of June 30, 1957.

The limitations upon the growth of the State development corporations in New England and elsewhere are fixed by the limit of the amount of funds available, the limit of the cooperation of lending members, and to some extent by the limit of the borrower-demand factor.

The borrower-demand factor appears to be elastic. It grows as funds are found to be available and can be secured by small-business concerns filing formal applications with the development corporations. However, the record regarding the handling of such formal applications by State development credit corporations is much the same as the record of the handling of formal applications

for loans by SBA. In other words, high standards have been set for approval. The result is a high rate of rejections.

In Massachusetts of the 204 formal applications received, 110 were rejected. In Connecticut of the 172 formal applications received, 120 were rejected. In Maine of the 238 formal applications received, 167 were rejected. New Hampshire rejected 42 out of 89 formal applications received; Rhode Island rejected 75 out of 96; and North Carolina rejected 54 out of 86 formal applications. The New York Business Development Corporation was more liberal and apparently did not adhere to such a rigid standard as was adhered to by the corporations in other States. It rejected only 51 out of 129 formal applications.

In New England the interest rates on loans made by the development corporations have been as low as 5 percent in Maine, but most of them have adhered to the 6 percent interest rate. Only two or three of the State development corporations have added a service charge to the interest rate. In those instances it has been 1 percent of the net amount of the loan for the first year. When the State development corporations secure funds from members for lending, it is usually borrowed from them at $\frac{1}{4}$ of 1 percent above the prime rate, but in some of the newer proposed corporations it would vary from 2 percent down to $\frac{1}{4}$ of 1 percent above the prime rate. These funds are usually borrowed by the State development corporations on paper having maturity from 6 months to 5 years.

In addition to funds secured from lending members, State development credit corporations have borrowed funds from the SBA. However, it appears that up to 1957 SBA had made fewer loans in the amounts of \$100,000 or more in New England than had been made in that area by the New England State development corporations between the years 1949 and 1957. Although individual loans made by SBA in amounts of less than \$100,000 were in far greater number, therefore, the aggregate amount loaned by SBA in New England was considerably larger than the aggregate amount of loans made in New England by State development corporations.

The State development credit corporations in making loans to business enterprises, although requiring security in the form of mortgages on buildings and in some instances on machinery and other types of equipment, have nevertheless shown more liberality than SBA in accepting such security, in that the State development corporations have been willing in many instances to accept second mortgage collateral on older properties and for longer maturities than banks, and often with greater liberality than afforded by SBA.

The average maturity of loans made by the State development corporations in New England is $6\frac{1}{2}$ years. Seven percent of the maturities were from periods of more than 10 years.

The record of hearings—pages 524 to 526—before the House Small Business Committee on the problems of small-business financing contains summaries

showing the amount of SBA business loans disbursed in those States and Territories which have active State development credit corporations or authorities, and in those which have inactive corporations as well as in those States where proposals are pending and all other States. That tabulation shows that in all States and Territories through September 30, 1957, SBA had disbursed business loans in the amount of \$256,884,000.

In New England and New York, where there were six active State development corporations, SBA disbursed business loans in the amount of \$22,306,000, whereas the State development corporations had disbursed loans in the amount of \$14,930,000. In the additional State of North Carolina, where there was an active State development corporation, SBA had disbursed business loans in the

amount of \$4,594,000, whereas the State development corporation there has disbursed business loans in the amount of \$1,898,000.

The following tabulation shows the present status of State development credit corporations or industrial credit authorities comparing the loan activities of each with the dollars of SBA loans disbursed within each State to and including June 30, 1957:

TABLE VI.—Present status of State development credit corporations or industrial credit authorities, comparing loan activities with totals of SBA loans disbursed within each State

Credit development corporation in State or Territory	Number of SBA business loans to Sept. 30, 1957	Amount of SBA business loans to Sept. 30, 1957	Number of State development credit loans to June 30, 1957	Amount of development credit loans to June 30, 1957	Stock sold June 30, 1957	Amounts pledged June 30, 1957	Amounts called	Number of formal loan applications	Number rejected	Loans repaid in full or part
Alabama ^{1,2}	122	\$5,703,000								
Alaska ¹	30	1,340,000								
Arizona ¹	48	1,778,000								
Arkansas Development Finance Corp. ^{3,4}	161	5,648,000			\$100,000					
California (none)	409	20,855,000								
Colorado (none)	111	2,823,000								
Connecticut Development Corp.	53	3,134,000	31	\$1,300,900	126,700	\$1,805,000	\$1,204,900	172	120	\$429,000
Delaware (none)	13	544,000								
Florida Development Credit Corp. ⁴	94	4,615,000								
Georgia State Credit Corp. ⁴	244	10,360,000								
Hawaii Business Development Corp. ⁴	30	701,000								
Idaho (none)	44	2,607,000								
Illinois ¹	177	5,542,000								
Indiana (none)	150	6,340,000								
Iowa (none)	208	6,868,000								
Kansas Development Credit Corp. ⁴	345	9,934,000								
Kentucky ^{1,2}	102	4,256,000								
Louisiana (none)	47	2,957,000								
Maine Development Credit Corp.	42	1,993,000	53	1,564,783	92,000	933,000	768,700	238	167	746,967
Maine Industrial Building Authority ³										
Maryland (none)	48	2,527,000								
Massachusetts Business Development Corp.	167	6,850,000	62	8,123,716	763,510	10,577,260	3,500,000	204	110	3,833,000
Michigan Development Credit Corp. ⁴	158	10,392,000								
Minnesota Business Development Corp. ⁴	192	6,753,000								
Mississippi Agricultural and Industrial Board ^{2,4}	64	3,519,000								
Missouri (none)	197	7,274,000								
Montana ¹	96	4,054,000								
Nebraska (none)	158	5,423,000								
Nevada (none)	12	772,000								
New Hampshire Business Development Corp.	23	1,400,000	40	897,800	103,700	1,252,050	607,870	89	42	221,000
New Hampshire Industrial Development Authority ³										
New Jersey ⁴	123	5,564,000								
New Mexico ¹	26	1,351,000								
New York Business Development Corp.	131	8,034,000	23	1,960,950	429,900	12,711,000	1,000,000	129	51	115,156
North Carolina Business Development Corp.	91	4,594,000	52	1,898,000	1,000,000	4,326,000		86	54	
North Dakota ¹	51	733,000								
Ohio (none)	196	11,977,000								
Oklahoma (none)	94	3,447,000								
Oregon ¹	80	4,652,000								
Pennsylvania Industrial Development Authority	240	14,801,000								
Puerto Rico Industrial Development Co. ³	58	1,154,000								
Rhode Island Development Co.	24	895,000	18	1,082,750	152,000	1,657,000	704,000	96	75	482,587
South Carolina ¹	53	1,532,000								
South Dakota Business Development Credit Corp. ⁴	40	1,461,000								
Tennessee ^{1,2}	147	5,878,000								
Texas (none)	348	16,976,000								
Utah (none)	28	1,467,000								
Vermont Development Credit Corp. ⁴	29	1,568,000			47,000					
Virginia ¹	80	5,243,000								
Washington ¹	136	6,119,000								
West Virginia ¹	39	1,690,000			14,100					
Wisconsin Industrial Development Credit Corp. ⁴	145	6,312,000								
Wyoming (none)	20	724,000								
District of Columbia (none)	16	750,000								

¹ Officials considering formation of State credit development corporations; with few exceptions, not yet in legislative bill stage.

² Mississippi, further advanced on revenue bond plan of local governments, but Alabama, Tennessee, and Kentucky in process; degree of supervision by State varies with more control in Mississippi and less in new proposals.

³ Credit authorities, publicly owned or supported.

⁴ Relatively inactive, or pending specific legislative proposal, or legislation has been repealed.

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that the gentleman from California [Mr. ROOSEVELT] may extend his remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. ROOSEVELT. Mr. Speaker, I want to take this opportunity to congratulate the able and experienced chairman of the House Banking and Currency Committee and its members for bringing to the floor of the House for considera-

tion the Small Business Investment Act of 1958.

The purpose of the bill as expressed in section 102 of the bill—Statement of Policy—clearly and unequivocally in a most concise manner states the purpose of this legislation:

The policy of the Congress and the purpose of the act to improve and stimulate the national economy, and particularly the small-business segment thereof, by establishing a program to stimulate and supplement the flow of private equity capital and long-term loan funds which small-business concerns need for sound financing and for growth, expansion and modernization, but which are

not available in adequate supply. This program is to be carried out in such manner as to insure that private financing sources will participate to the maximum extent possible and that it will not result in increased unemployment in any area of the country.

The experiences I have had in investigating and studying the problems of small business as a member of the Select Committee on Small Business have clearly demonstrated to me and the other members of the House Small Business Committee that small-business concerns must have access to capital—equity and long-term capital—that there is a need

NOTE.—Maine pledged credit of State to insure loans to 90 percent made by financial institutions for construction or expansion of industrial buildings with a \$500,000 revolving fund; Mississippi has a review board which approves revenue bond financing to acquire land and build for incoming industry; Pennsylvania State government lends money to local development corporations (30 percent of project) to bring in companies to new industrial sites in Pennsylvania, 100 percent financing is arranged; Arkansas \$5,000,000 of bonds to be purchased by State; Puerto Rico, \$19,000,000 from treasury of Puerto Rico.

for the program designed to supply long-term and equity-type financing to small business.

Our present commercial banking system is not prepared or equipped to meet this urgent need of small business.

All of the investigations held to date have clearly established that generally short-term and intermediate credit needs for small business are being met through existing financial institutions and Government agencies.

However, desperately needed long-term and equity type financing is lacking—it is, therefore, our duty to pass this legislation to assure small business that the type of financing so needed by it—but presently not available—be made available.

The solution of the problems of small business will not be found in merely granting short or intermediate type loans, the answer to small business is permanent capital which they may keep in operation and help small business grow and prosper.

The Senate in Report No. 1652—85th Congress, 2d session—has properly stated:

The present financial institutions which do provide a source of venture capital are not able to assist smaller firms. The cost involved in the public sale of securities is prohibitive to small business issuers. As a result there is no institutional source to which small business may turn to meet its capital needs. Unlike large business concerns, small-sized businesses must seek long-term funds in a most haphazard fashion which, by its very nature, does not provide for the economic growth of small firms that is possible and desirable.

William McChesney Martin, Jr., chairman of the Federal Reserve Board of Governors, has stated:

There is a gap in the existing structure of financing institutions which lies in the long-term debt and equity capital areas.

It is this institutional gap which this legislation is designed to fill.

This legislation is designed and conceived to carry out the following purposes:

First. To supplement rather than supplant existing private facilities.

Second. To operate under a simple and flexible organizational structure.

Third. To operate and be accounted for in complete separation from other Federal small-business programs.

Fourth. To utilize to the maximum possible extent the facilities of State and local development credit corporations, and

Fifth. To concentrate upon meeting the equity and long-term credit needs of small-business concerns.

There can be no doubt as to the need for this vital legislation. The responsibility is ours. Let us act quickly and effectively and pass it with an overwhelming majority.

Mr. SPRINGER. Mr. Speaker, I yield such time as she may desire to the gentlewoman from New Jersey [Mrs. DWYER].

Mrs. DWYER. Mr. Speaker, within the past month the Congress has taken action on three major pieces of legislation which, taken together, represent

perhaps the most extensive assistance ever made available to American small business.

The present bill (S. 3651), to make equity capital and long-term credit more readily available to small-business concerns marks the climax in the dramatic series of new developments in the world of small business.

I wholeheartedly support this bill, as I earlier supported legislation extending and liberalizing the Small Business Act and the legislation providing tax revision and assistance for small business. All three bills are of great importance in themselves; they have been framed after long and careful study and with the benefit of considerable experience in the problems and difficulties of small-business men, and they have been designed to bring real help in meeting real problems, especially in the field of financing small business.

Congress has appreciated and been deeply concerned at the unfortunately high rate of small business failure as a result of the present business recession. It is encouraging, therefore, to note in this respect solid evidences that our economy has begun to take on new vigor, new energy, and has started on the upward road to healthy growth and expansion. The action of Congress at this time in dealing with several of the major problems of small business with such farsighted wisdom seems to be especially appropriate; by strengthening the basis on which small business is financed and by encouraging the means of successful small-business activity we are helping to stabilize this extremely important area of the American economy. And the increased strength and stability of small business can only serve the best interests of all our people in the future.

The legislation before us today is clearly the most striking departure from past patterns of Federal assistance to small business. While many proposals have been advanced and some legislation enacted in the general area of small-business financing during the past 25 years, none of the programs established to date have met the need of small business for equity-capital financing or long-term credit. The need for new sources of such long-range financing has been thoroughly established as a result of the experience of the interested Congressional committees, the Department of Commerce, and the Small Business Administration, and the many organizations and institutions in the world of business which have dealt with this problem for many years. There is unanimous agreement that there is a major gap in the economy's present financial mechanism which prevents the small businesses of the country from obtaining needed long-term and equity-type financing.

The Committee on Banking and Currency and the Select Committee on Small Business deserve the thanks and appreciation of the Congress for the work they have done in helping to meet this need. The present bill is sound and reasonable and carefully designed to approach with major assurance a heretofore uncharted field.

As I see them, the major provisions of direct concern to small-business men of the country included in this bill are the following:

First. The bill establishes in the Small Business Administration a new and autonomous Small Business Investment Division, headed by a Deputy Administrator to be appointed by the Administrator of the Small Business Administration, who would exercise functions provided in this bill separately and distinctly from the other functions of the Small Business Administration.

Second. The bill authorizes an additional \$250 million of appropriations to the existing revolving fund of the Small Business Administration, which additional funds can be used only to carry out the purposes of this Small Business Investment Act.

Third. The Small Business Investment Division of SBA is authorized to charter small-business investment companies up to June 30, 1961.

Fourth. Ten or more persons will be required to sign the articles of incorporation of a proposed small-business investment company. Upon approval by SBA the investment company would be established as a Federal corporation with the usual powers necessary to do business. In giving its approval SBA must consider (a) the need for small-business financing in the area where the proposed company is to operate; (b) the character of the proposed management of the company; (c) the number of such companies already formed in the United States and the volume of their business; (c) other related factors.

Fifth. Each small-business investment company must have not less than \$300,000 of paid-in capital and surplus before commencing business, and SBA is authorized to provide a maximum of \$150,000 to such company through the purchase of subordinated debentures which would then be treated as paid-in capital.

Sixth. To encourage formation of such small-business investment companies, national banks are authorized to purchase stock, as are State member banks and nonmember insured banks where compatible with State law. No such bank may hold shares in these companies in amounts aggregating more than 1 percent of the bank's capital and surplus.

Seventh. SBA is also authorized to lend money to a small-business investment company up to a maximum not exceeding 50 percent of the paid-in capital and surplus of such companies. The company may also borrow additional funds from private sources under such conditions as SBA may prescribe.

Eighth. In turn, small-business investment companies are authorized to provide equity-type capital to small-business concerns through the purchase of convertible debentures, which are considered extremely suitable financing instruments for such a program, in view of their attractiveness to speculative investors who want an opportunity to share in the future prosperity of the business beyond the fixed claim of ordinary debt.

Ninth. Whenever an investment company provides capital to a small-business concern through purchase of convertible debentures, such concern must purchase stock in the investment company in an amount equaling from 2 to 5 percent of the amount of the capital provided, as a means of building up the investment of private funds and in due course making Federal participation unnecessary.

Tenth. Small-business investment companies may also make loans to small-business concerns, both incorporated and unincorporated, either directly or in participation with other lending institutions. The maximum interest rate is to be set by SBA, while the maximum maturity of such loans is 20 years, although an investment company may extend the maturity an additional 10 years to aid in the orderly liquidation of a loan.

Eleventh. The total amount which a small-business investment company may lend and invest in a single small-business concern may not exceed 20 percent of the combined capital and surplus of such investment company, without special approval of the SBA.

Twelfth. The bill authorizes certain exemptions from regulations of the Securities and Exchange Commission for securities issued by small-business investment companies, as a means of facilitating special financial activities. The Small Business Administration, however, may prescribe necessary regulations and limitations in this field.

Thirteenth. State chartered investment companies may also qualify for SBA loans and investments. Such a State chartered company may, with SBA approval, operate as a small-business investment company with the same rights and obligations as an SBA chartered company, or it may convert into an SBA chartered company with SBA's approval by a vote of shareholders having a majority of the stock.

Fourteenth. The Small Business Administration may make loans to any State development company in a total amount not exceeding the amount borrowed by the company from all other sources. Approximately half of our States now have active State development companies or are considering proposals for establishing such companies, while approximately 1,800 communities have established local industrial corporations.

Mr. MADDEN. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on the resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.

Mr. BROWN of Georgia. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (S. 3651) to make equity capital and long-term credit more readily available for small-business concerns, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill S. 3651, with Mr. WALTER in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from Kentucky [Mr. SPENCE] will be recognized for 1 hour and the gentleman from Iowa [Mr. TALLE] will be recognized for 1 hour.

The Chair recognizes the gentleman from Kentucky [Mr. SPENCE].

Mr. SPENCE. Mr. Chairman, I yield myself 10 minutes.

Mr. Chairman, I believe the Members of the House are familiar with the principal provisions of this bill. It is the Small Business Investment Act of 1958.

An appropriation of \$250 million is authorized for the Small Business Administration to be used in furnishing capital to small-business investment companies. Each small-business investment company must have a minimum capital and surplus of \$300,000. One-half of that must come from private sources; the other half is invested by the Small Business Administration.

After the organization of the small-business investment company, the Small Business Administration may lend them half of their capital and surplus, which would be at least another \$150,000. So the Government will invest at least \$300,000 in each of these small-business investment companies, if the companies desire to obtain that sum from the Government. Private sources must invest at least \$150,000.

It is also provided that loans may be made to State development organizations, or local development organizations, for the purpose of securing sites and building plants. These loans may be made in amounts up to \$250,000 for each small-business concern benefited. In that way the loan limit is multiplied by the number of small-business concerns which will benefit from the loan.

What is the justification for the Government's going into this field? There is no private financial institution designed to make loans for equity capital on a long-term basis as small businesses so often need, and as is so often necessary for their preservation. So the Government, if it wants to see that small business is preserved in the free enterprise system must give them some help.

Are we justified in doing this? Independence has been a great word in this country since 1776. The small-business enterprise in America is just as American as that declaration that announced our independence. If you want to continue as we have continued, if you want to open the door of opportunity to all who are willing to knock at it and to profit by it, you must preserve small business. I think there could be nothing more justifiable than these loans by the Government to preserve the institutions that have made America great, that have formed the character of its people, and that have carried out our aspirations and our hope. They are part of our national economy, they are part of the

national life of America, they are part of the opportunity that is given to every young man to go into business for himself and to profit as his character and ability permit. That is something it seems to me that should be preserved, and I feel that this bill is essential to their preservation. There is no doubt but that in a competitive field the small-business man is at a great disadvantage. He cannot get this kind of credit.

The big institution that is nationally known, that has a financial status, that attracts the investing public to buy its debentures and obligations, has no trouble in acquiring this character of capital and of reserves. The small-business man cannot get that support. He has no established credit with the public. He must go to his bank. If he wants a 20-year loan his bank cannot make it. His bank cannot make a 20-year loan except on one subject and that is a mortgage on the home.

These loans are for 20 years, with a renewal opportunity of 10 more years. The loans that are to be made to the development companies for the acquisition of sites and the building of plants are for 10 years plus the period of construction. This is something that the small-business man needs. The question is whether you want to preserve him. I think you do. I know this will cost the Government but very little.

I remember when we organized the Home Owners Loan Corporation we made over \$2 billion of loans to the home owners at the time of the deepest depression in 1933 and the following years. It saved the homes of many millions of persons. We made over a million loans and that must have saved the homes of 5 million people. When the Home Owners Loan Corporation liquidated they put 14 million dollars into the Treasury of the United States.

The loans provided for in this bill are good loans for good people, patriotic people, who have their own interest and the interest of the Government at heart. I am sure every businessman in America wants to pay his obligations.

The funds cannot be obtained except by an appropriation of \$250 million. This will be paid back into the Treasury as these new small-business investment companies grow and prosper.

I ask you to vote for the bill and I think you will take great pleasure in doing so.

Mr. KILBURN. Mr. Chairman, I yield myself such time as I may desire.

Mr. Chairman, I am against this bill. I am against the principle of it because no matter how many investment companies the money goes through the Federal Government is furnishing money for risk capital. I do not think we have ever done that before. We certainly did not do that in the Home Owners Loan case. We had the house as security and if the people could not pay up we would take the house. Here the Government is putting money into risk capital in connection with a large or small business. If the business makes good the business takes the profit; if it loses money the Government takes the loss. That is why I am against this bill.

Mr. Chairman, I yield 10 minutes to the gentleman from Indiana [Mr. HALLECK].

Mr. HALLECK. Mr. Chairman, unlike my colleague who just preceded me, I shall support this bill and vote for it on final passage. However, as I said in the brief remarks I made on the rule, there is a provision in here that I just think is completely unnecessary and should be taken out of the bill.

Before I go further, because some of you may not have been here, the provision to which I refer is an arrangement by which these charters of these private corporations will be issued by the Federal Government here in Washington, which simply means that if a group of individuals in your State or in mine want to get one of these charters, they come down here to Washington to get it, hire lawyers here in the District and proceed with the incorporation here.

I say that there is plenty of authority in the States to carry on that operation. I checked with my own secretary of state out in Indianapolis this morning who tells me that our law is most adequate; that they already have a staff of four men there in the secretary of state's office and that they can issue all of the charters that anybody out in Indiana may want.

The ostensible reason for putting this provision in the bill is found in the committee report at the bottom of page 6 running over to the top of page 7, which says this:

Your committee has provided for a termination date (June 30, 1961) of the authority of SBA to charter small-business investment companies. Thereafter such companies must be chartered under State law and may be given permission to operate under this program provided they qualify and are approved by the SBA.

Of course, obviously, before the Government down here is going to let them have the money, they have to establish that they are entitled to the money. Then the committee in the report says this:

Within 3 years all States should be in a position to enact the necessary enabling legislation to permit the chartering of small-business investment companies to operate under this program; consequently the chartering function in SBA will be unnecessary after June 30, 1961.

Now, then, the report does not mention a single, solitary State that does not have ample statutory authority at this time, and I call on the members of the committee who subscribe to this report to name the State that does not have adequate statutory authority at this time, because I will promptly call up the secretary of state of that State to find out.

This matter was called to my attention just a few days ago by different people around the country who are members of the American Bar Association and on particular committees in that association dealing with this particular problem, and I probably can best get at what I think ought to be done here by reading to you a letter addressed to me by Mr. Charles W. Steadman, of the Cleveland and Washington Bar Associations, confirmed by one of the eminent lawyers in

my State out in Indianapolis, who addresses me in these words:

STEADMAN & COLLIER,
Washington, D. C., July 17, 1958.

HON. CHARLES A. HALLECK,
House Office Building, Washington, D. C.
DEAR MR. HALLECK: This letter is with respect to certain provisions of S. 3651, which is pending before the House, and I am presenting this to you as the representative and on behalf of the American Bar Association.

Section 301 of S. 3651 provides for the Federal rather than the State incorporation of the small-business investment companies which would operate under this bill. These so-called small-business investment companies would be business enterprises organized for the purpose not of lending money to small business, such as banks or other lending institutions might do, but for the purpose of investing in small businesses to provide equity capital. The American Bar Association has taken an official position opposing such Federal incorporation provisions. The reasons for this opposition are embodied in my memorandum of July 7, 1958, which accompanies this letter.

I have a copy of that memorandum, and I shall include it with my remarks. The memorandum is as follows:

S. 3651 has passed the Senate and is pending before the House. It is a bill intended to provide financial assistance to small business and among other things for the establishment of "small-business investment companies." By virtue of section 301 these companies would be Federal rather than State corporations. They would be created in the exercise of broad discretionary powers by the Small Business Administration, which would issue a charter after having approved the articles of incorporation.

The apparent objective of section 301 is to give the Small Business Administration control over the form of organization of small-business investment companies as a requisite to their qualifying to do business and receive the benefits of the act. There may be considerable question as to whether this is desirable to the extent contemplated by the bill. Certainly, even if it were desirable, the method selected for its accomplishment raises some very disturbing questions.

The same problems are present here that were discerned in the suggestions made in the past for Congressional legislation which would have provided for Federal incorporation of business enterprises. Such suggestions have never found favor. It has been opposed for the same principal reasons that hold it to be undesirable and stand in opposition to section 301 in this instance. These are: (1) Such legislation is an encroachment upon the historical and traditional power and authority of the States over the incorporation of business enterprise; (2) it raises serious constitutional questions respecting powers reserved to the States and those delegated to the Federal Government; and (3) it is unnecessary for achieving the objectives of the bill.

Let us examine each of these points.

1. Federal incorporation of business infringes upon a field historically governed by the laws of the States, and State incorporation and administration is preferable. The creation of business corporations, the form of their organization, and the conduct of their internal affairs has historically and traditionally been governed by the laws of the States. The whole body of corporate law in America has developed upon this basis. It would be unwise to disturb these concepts that have become such an important part of American commercial life. Such would be the result arising from the introduction of a new corporate creature coming into existence under Federal charter. There would be no certainty what rule of law would govern an

action of a Federal corporation, the creation of which is authorized by section 301 in the multitude of circumstances which are there left without rule or direction, except perhaps for rules that might be devised by the Small Business Administration in its discretion. Section 301, it will be observed, contains only the barest statement of what the articles of incorporation shall contain and of powers which this Federal corporation would have. What is to happen with respect to the remaining questions which arise in the conduct of corporate enterprise is wholly unknown. To create such uncertainty would be unwise. The corporate laws of the States developing over a period of many years deal fully with these matters.

Federal incorporation of business enterprise here would provide a dangerous precedent, and would be a broadening of Federal authority in a field of law where the authority of the States has functioned effectively and well. The administration of corporate laws has developed in the States as a correlative to the power over business corporations which they have historically exercised. A group of administrators has grown up in each State under the secretaries of state skilled in the administration of business corporation law, and this work is being competently and effectively handled. Presumably, it would be necessary for the Small Business Administration to duplicate in a substantial measure work that is already being done very well by the States, and which the States are better qualified to do. Here it would seem to be necessary for the Small Business Administration to establish a staff to administer these incorporation provisions of the act, and ultimately to deal with all manner and kind of problems relating to incorporation which are completely unrelated to the purposes of the act.

In essence, the power over the incorporation of business and the administration of the laws governing incorporation are local in nature and can best be left as the responsibility of the States.

Federal incorporation under the National Bank Act should be distinguished from the situation at hand. There, Federal incorporation is predicated upon a special and limited circumstance unrelated to the situation contemplated by S. 3651. Small-business investment companies would not be banking institutions in the sense of those encompassed by the National Bank Act. These small-business investment companies would be business enterprises to provide equity capital for small business, and not lending organizations in the traditional concept of banking.

2. Constitutional considerations: There are some very serious constitutional objections which may be made to any legislation which provides for Federal incorporation of business enterprises. As has been pointed out above, the power and authority concerning the creation of business corporations has been historically and traditionally exercised by the States and governed by their laws. In this posture it would appear that this is one of the powers reserved to the States under the Constitution, and it seems highly doubtful that the Constitution delegates to the Federal Government power in the area of incorporation of business enterprise.

3. There is no necessity for Federal incorporation: The achievement of the major purposes of this bill is not dependent upon small-business investment companies being incorporated as Federal rather than State entities. Section 301 is not germane to the purposes of S. 3651. There is nothing that is contemplated by the proposed legislation which cannot be accomplished through such companies being incorporated under State laws. It may be that section 301 of S. 3651 in providing that they would be chartered by the Small Business Administration "in the absence of appropriate State law," is derived

from an assumption that State incorporation laws might not permit the incorporation of such investment companies.

An examination of this matter leads me to the conclusion that such an assumption is without foundation and there is no necessity for this provision in section 301, therefore, no need for such other provisions of the bill that augment section 301. If it is considered to be desirable for the Small Business Administration to have some supervision over the internal character and form which such a corporation should have in order to qualify for doing business under the act, this can be readily achieved by other means. Reasonable standards can be drawn with which such investment companies would be required to comply. Certification by the Administration when it is satisfied that an investment company incorporated under State law is properly qualified could establish that fact. Such certification would then make the investment company eligible for the loans and special tax benefits which this legislation would confer. It would not, however, be necessary in any sense for the Small Business Administration to have the power to create the corporation. This could and should be left to the law of the State in which such an enterprise would become incorporated.

In conclusion, let me reiterate that Federal incorporation of business enterprise would set a dangerous precedent. It would infringe upon a field of law well governed and administered by the States under powers reserved to them. Constitutional issues make incorporation of business by the Federal Government unwise. Moreover, there is no need to provide for the Federal incorporation of small-business investment companies as suggested in this proposed legislation. And, insofar as I can find, no one has come forward to show such a need. Any such showing, and I do not think one can be made, ought to be one of the most compelling nature before Federal incorporation should be favorably considered.

May I respectfully suggest, therefore, that S. 3651 be amended to give recognition to the objections made here.

Respectfully submitted for the American Bar Association.

CHARLES W. STEADMAN.

JULY 7, 1958.

The letter continues:

There seems to be a misunderstanding with respect to there being a need for Federal enabling legislation to provide for Federal rather than State incorporation of the small-business investment companies contemplated by S. 3651. There is no need for such Federal enabling legislation. The American Bar Association, through the research facilities of the American Bar Foundation has examined this point very carefully. As a result of this study this conclusion was reached:

While the statutes are of varying degrees of general adequacy, there is none as brief and as rudimentary in its provisions as section 301 of the proposed act. There is none of the 52 acts that is not adequate for the creation of a business corporation including the small-business investment companies.

There is, therefore, no reasonable excuse for encroaching upon a power which the Constitution has reserved to the States, namely the incorporation and chartering of business enterprises.

Section 301 has a termination date of June 30, 1961, for such Federal chartering. All small-business investment companies organized after this date would be chartered under State law.

House Report No. 2060 and Senate Report No. 1652 indicate that this 3-year period during which small-business investment companies could be organized under Federal charter, was included in the bill upon the

supposition that within the 3 years so provided, States could amend their corporation laws to provide for the incorporating of the small-business investment companies for operation under the program encompassed by S. 3651. These two reports in this respect support the Federal incorporation provision upon some supposed omission in the corporation laws of the States, and thus on a basis of need. This is predicated upon a condition contrary to the fact.

In the light of this circumstance, I commend to you on behalf of the American Bar Association, the elimination of the Federal incorporation and chartering provisions of S. 3651.

In order to accomplish this objective it is respectfully urged that you offer the amendments to S. 3651 which are set forth in my memorandum of July 9, 1958, which is also attached to this letter.

It may be suggested that legislation for Federal incorporation which is limited to a 3-year period would not be harmful. If I may venture this observation, temporary legislation all too often becomes permanent. That such is likely to be the case in this instance is well illustrated by the remarks of the Honorable WRIGHT PATMAN with respect to S. 3651, which appear at page 13876 of the CONGRESSIONAL RECORD for July 15, 1958. Mr. PATMAN proposes to eliminate from S. 3651, the temporary 3-year provision for Federal incorporation of small-business investment companies and to make such Federal chartering a permanent feature of this legislation.

It would not burden the States to handle the incorporation of these small-business investment companies. An assertion to the contrary undoubtedly arises from a lack of understanding of the procedures and facilities available in the States for the incorporation of business enterprises, which facilities have existed since the early years of this Republic. The secretary of state in each one of the several States has an experienced staff for handling the incorporation of all kinds of business enterprises. These facilities, which need not be duplicated in the Federal Government, are available at all times, and it is highly inconceivable that any unreasonable burden would be placed upon them by the chartering of such additional business enterprises as may be engendered by the passage of this legislation.

Your thoughtful consideration and active cooperation in support of the position of the American Bar Association will be most highly esteemed and is solicited.

Yours very sincerely,

CHARLES W. STEADMAN.

It seems to me that that is a well-reasoned and entirely justified statement as to why this Federal provision is not needed. Certainly, I have no great desire, speaking for myself, to require any of my constituents out in Indiana who may want to create one of these companies to come down here to Washington to get their charter. I would just as soon have that business taken care of in Indiana. Let them hire their lawyers out there; let the incorporation be made out there. After they get their incorporation, and before they get their Federal money, they have to come down here and establish their right to the money. They have to establish that they are qualified, that they are competent, that they are the sort of people who qualify under the rules and regulations that would be created. But for the life of me I cannot see why we need to set up an additional function here in the Government in Washington, additional bureaucracy, additional expense, when

the States themselves already have the statutes, the personnel, the skill, the facilities and everything else to do whatever needs to be done.

Mr. SPENCE. Mr. Chairman, I yield such time as he may desire to the gentleman from Georgia [Mr. BROWN].

Mr. BROWN of Georgia. Mr. Chairman, the House today is paving the way for a new type of private financial institution, to fill a gap in our existing financial system. Small businesses urgently need equity-type capital and long-term loans, and this bill will foster a new system of investment companies, privately owned, to help meet this need.

This bill has been developed in a spirit of harmony and compromise, with help from the Federal Reserve Board, the Small Business Administration, other Government agencies, and many segments of private industry. For example, the American Bankers Association recognized the need for stimulating the flow of equity capital to small business, and appointed a special committee to determine how this could be done, consistent with the principles of free enterprise and sound financing practice. This committee prepared a report recommending establishment of a system along substantially the same lines as those embodied in the bill we are considering today. I am happy to say that one of my constituents, Mr. Monroe Kimbrel, executive vice president of the First National Bank of Thomson, Ga., and chairman of the committee on Federal legislation of the American Bankers Association, served on this committee. This is a splendid example of public-spirited citizens working to improve our economy, and this committee and the other groups of private citizens who have worked hard to perfect this proposal deserve our warmest thanks.

There is a basic difference between this bill and the regular business loan program of the Small Business Administration. That program involves short-term and intermediate-term loans. For the most part, needs for this type of credit are met by commercial banks. To avoid Government competition with these private financial institutions, SBA's regular small-business loans are limited to cases where the applicant cannot get a loan on reasonable terms from sources other than SBA. Most of SBA's loans are made in participation with commercial banks; but in cases where no participation is available, SBA may make a direct loan to a small-business concern.

Under this bill, on the other hand, there will be no direct Government lending to small-business concerns. The bill will promote the establishment of private investment companies for that purpose. The Government's role will be limited to chartering these institutions, supervising them, and supplying part of the funds they will need. SBA will furnish up to \$150,000 to help a small-business investment company in getting started; this will be done by SBA taking the company's subordinated debentures. In addition, SBA may make a loan to the company of up to one-half of the company's capital and surplus. This arrangement provides some Government

financial help for these companies, but avoids Government ownership of any stock in them.

These private investment companies, in turn, will furnish capital to small businesses by purchasing their debenture bonds, convertible at the option of the investment company into stock of the borrowing concerns. At the same time, the borrowing concern will be required to buy stock in the investment company in an amount ranging from 2 percent to 5 percent of the capital so provided. Thus, a steady flow of private capital into the investment company is assured, so that in time all Government funds may be repaid and the company will be financed completely by private sources.

As an alternative to supplying capital through buying convertible debentures, the new small-business investment companies may also make long-term loans to small-business concerns. This alternative is necessary, particularly for unincorporated businesses. Maturities of these loans could range up to 20 years. The loans must be of such sound value, or so secured, as reasonably to assure repayment; this same standard applies to SBA business loans today.

I am sure all Members will agree that we must maintain an economic climate in this country in which small, independent businesses may grow and flourish. We are hampered today in our efforts to reach this goal because no adequate source of long-term loans and equity financing exists for small business. This bill represents a reasoned, practical approach toward meeting this need. I urge all Members to support it.

Mr. KILBURN. Mr. Chairman, I yield 5 minutes to the gentleman from California [Mr. McDONOUGH].

Mr. McDONOUGH. Mr. Chairman and members of the committee, I doubt if there is anyone who does not feel friendly to small business and who does not want to do anything that is possible to stimulate its activity and the economy of this Nation. I think every precaution that can be placed in legislation that controls the financing of small business should be provided in the legislation. I cannot disagree with my colleague, the gentleman from Indiana, who believes that the State ought to be the source from which these agencies should be chartered, because if there is control at the local level, the State officials know these communities better than the Federal Government and there is much better cooperation and coordination. Where Federal funds are involved, there should be that precaution. I do not know how many States do not have that authority. I doubt that there are many who do not have that authority. However, the report indicates there are some 1,800 communities in the United States that do have industrial development corporations where they obtain funds from local financial sources to expand and promote small business. This bill supplements that by providing Federal funds for that purpose. There are several safeguards. The loans are protected. In the bill the loans must be such that cannot be obtained from another source. The local financial houses have to be thoroughly

canvassed and the institution that is financed must also be a going concern so that we are not attempting to use any Federal funds or any help for small business that is a fly-by-night affair. The report on the bill contains a survey that was made by the Federal Reserve Board which I think is very significant and revealing as to the need for this type of financing, in addition to direct loans, we provide in the Small Business Administration.

Another point about the bill is that it does not add a new bureau to the already growing bureaus and Government corporations. There is only one Deputy Administrator to be added and that is not too much for the job that he will have to perform. I do not think that there is much opposition to the bill. I think it will help the industrial economy and promote and expand small business. I urge approval of the bill.

Let me read from the report on the bill the following pertinent parts of the bill which describe the functions:

NEED FOR LEGISLATION

From time to time during the last 25 years the Congress has considered proposals to augment existing institutions for supplying capital and credit to small businesses. While many bills have been enacted in this general area, none of the programs established to date have met the needs of small business for equity capital financing or long-term credit.

Testimony received by the committee from representatives of the American Bankers Association, the Committee for Economic Development, and the United States Chamber of Commerce, as well as the testimony received from the Department of Commerce and the Small Business Administration indicates that these organizations are agreed that there is real need for a program designed to supply long-term and equity-type financing to small businesses. These witnesses were also in agreement that on the whole, short-term and intermediate credit needs of small businesses are being satisfactorily met through existing financial intermediaries, private and Government.

A recent and most authoritative study of this matter was made by the research staff of the Board of Governors of the Federal Reserve Board with the knowledge and encouragement of the four Congressional committees having primary interest—the Banking and Currency Committees and the Select Committees on Small Business of both Houses of Congress. House Report No. 1889 (85th Congress 2d sess.) of the Select Committee on Small Business issued on June 17, 1958, also covers the problems of small-business financing.

The Federal Reserve Board's study on the financing problems of small business had several objectives. One of these objectives was to assemble information bearing on the question of the economy's facilities serving these needs.

The Board's study found that the financial needs of small business vary among different categories of small concerns and that such needs are most complex. Information and data compiled clearly indicated that most of the unsatisfied demand of small business is for long-term loans, equity, or equity-type credit. The commercial banking system is not prepared or designed to satisfy needs for equity or long-term credit. Traditionally their operations have been confined to short and, to a limited extent, intermediate-term loans.

As indicated by the Federal Reserve Board's study, the unavailability of long-term loan and equity capital is clearly one of the most important problems of small

business today. Such investment capital must necessarily come from the personal savings of the people and most of these savings are going into existing financial intermediaries such as our large insurance companies, savings banks, and others which in turn reinvest these funds. The question then may well be asked why these institutional investors do not undertake investment of this type.

Institutional investors generally are limited by law in the choice of their investments. When these institutions can exert judgment in the matter of making investments it is found they prefer investing their funds in those securities which have active national markets. Information available to the committee indicates that institutional investors have shown little desire to invest in small concerns on a long-term basis and it is unlikely that their investment policies will change in this respect.

The business loan program of the Small Business Administration is limited to providing short-term and intermediate-term credit when such loans are unavailable from private financial institutions. This program does not provide equity financing. The Federal Government, therefore, at this time has no program which would make available long-term loans and equity capital to small business.

Most of the testimony received by the committee, and in particular the study of this problem by the Federal Reserve Board, points to the fact that there is a real need at this time to stimulate the availability of capital funds to small business; and there is a gap in the economy's present financial mechanism which prevents the small businesses of the country from obtaining needed long-term and equity-type financing. Your committee believes that Federal legislation is needed to meet this problem. The bill as reported is designed to establish a sound and effective program to help meet the long-term capital needs of small business. The bill in our judgment provides for a carefully reasoned and needed approach to a heretofore uncharted field.

ESTABLISHMENT OF A SMALL BUSINESS INVESTMENT DIVISION IN THE SMALL BUSINESS ADMINISTRATION

The bill would establish in the Small Business Administration a Small Business Investment Division. This Division would be headed by a Deputy Administrator who would be appointed by the Administrator of the Small Business Administration. All powers which would be conferred by the act upon the administration would be exercised by the Small Business Investment Division; and those powers which would be conferred upon the Administrator would be exercised by him through the Deputy Administrator. The Small Business Investment Division would be a semiautonomous division within the Small Business Administration. The new functions provided for in the bill would be separate and distinct from the other functions of the Small Business Administration.

Appointment and confirmation of deputy administrator

The committee seriously considered including in the bill a provision requiring that the Deputy Administrator appointed to head the new division be appointed by the President and confirmed by the Senate. It believed that such a method of selection would give added stature to the new office and would place the Deputy Administrator in a stronger position to administer the provisions of the act in an independent manner. The committee, however, recognized the organizational problems that would result from such a provision since the administration already has three deputy administrators established by law who are appointed by the administrator. Accordingly, the bill would provide that the

new deputy administrator should likewise be appointed by the administrator.

PROVISION OF FUNDS

The bill would provide funds for the program by authorizing an additional \$250 million of appropriations to the existing revolving fund of the Small Business Administration which was established by the Small Business Act of 1953. These additional funds, however, could be used only to carry out the purposes of the Small Business Investment Act.

The Small Business Administration obtains its funds through annual appropriations. The committee believes that funds necessary to carry out the purposes of this new program, which would be administered through a division within the Small Business Administration, should also be obtained through annual appropriations.

SMALL BUSINESS INVESTMENT COMPANIES

Organization of small business investment companies

The Small Business Administration (Small Business Investment Division) would be authorized under the bill to charter small-business investment companies. This authority would terminate as of June 30, 1961, but this termination would have no effect upon the continuing activities of any small-business investment companies chartered under this authority.

The bill would require 10 or more persons to sign the articles of incorporation of the proposed small-business investment company which would be filed with the Small Business Administration. Such articles of incorporation, when approved by SBA, would establish the company as a Federal corporation with the usual powers necessary to do business and to carry out the purposes for which they are established. In issuing any permit, the SBA would consider (1) the need for small-business financing in the area where the proposed company is to operate; (2) the character of the proposed management of the company; (3) the number of such companies already formed in the United States and the volume of their business; and (4) other related factors.

Your committee has provided for a termination date (June 30, 1961) of the authority of SBA to charter small-business investment companies. Thereafter, such companies must be chartered under State law and may be given permission to operate under this program provided they qualify and are approved by the SBA. Within 3 years all States should be in a position to enact the necessary enabling legislation to permit the chartering of small-business investment companies to operate under this program, consequently the chartering function in SBA will be unnecessary after June 30, 1961.

Capital stock requirements

The bill would require that each small-business investment company have not less than \$300,000 of paid-in capital and surplus before commencing business.

In order to encourage the formation of small-business investment companies, the SBA is authorized to provide a maximum of \$150,000 to each such company formed, through the purchase of subordinated debentures. These subordinated debentures are in fact debt obligations of the company occupying a junior position to other debt incurred by the company. However, in applying the following three limitations in the act the subordinated debentures would be treated as paid-in capital: (1) minimum capital required for formation of investment company, (2) the general limitation that other loans from SBA may not exceed 50 percent of paid-in capital and surplus of the company, and (3) the limitation that loans to an individual small-business concern may not exceed 20

percent of the capital and surplus of the investment company.

To facilitate further the formation of small-business investment companies the bill would authorize national banks to purchase stock in such companies. It would also authorize State member banks and nonmember insured banks to purchase such stock, where compatible with State law. However, no such bank would be able to hold shares in these companies in amounts aggregating more than 1 percent of the bank's capital and surplus.

Your committee wishes to make it quite clear that the bill would in no way preclude other types of institutions from purchasing stock of these companies. Their ability to do so, however, would depend entirely upon applicable Federal or State laws.

SBA loans to investment companies

The bill would also authorize the SBA to lend money to a small-business investment company on terms and at a rate of interest established by the Administration. The total amount loaned, however, could not exceed 50 percent of the paid-in capital and surplus of such company. The company would be authorized to borrow additional funds from private sources under conditions, limitations and regulations as the SBA may prescribe.

Your committee hopes and expects the major portion of the operating funds of these companies to come from private sources. On the other hand the committee realizes that initially a greater demand will be for funds from the Government until the experience of these companies and their success have been proven.

Equity-type capital for small businesses

Small-business investment companies are authorized to provide equity-type capital to small-business concerns through the purchase of convertible debentures which shall contain such terms and interest rates as the companies fix under SBA regulations. These debentures are to be convertible at the option of the company or a holder in due course, up to and including the date of call, into stock of the small-business concern at the sound book value of such stock as determined at the time the debentures were issued.

The committee believes that the use of convertible debentures, which has been developed to a high degree in recent years by many large, publicly financed companies, is the most suitable financing instrument for this type of program. This type of debenture is attractive to speculative investors who want an opportunity to share in the future prosperity of a business beyond the fixed claim of ordinary debt. In view of the risk inherent in, and the admittedly experimental nature of the financing which this bill seeks to encourage, consideration must be given to encouraging such speculative investors.

Before an investment company purchases any such convertible debentures, it may require the small-business concern to refinance its outstanding indebtedness so that the investment company is the only holder of indebtedness of such concern. Furthermore, to protect the investment company, such small-business concern may be required to agree not to incur further indebtedness without approval of the investment company.

Whenever an investment company provides capital to a small-business concern through the purchase of convertible debentures, such concern is required to purchase stock in the investment company in an amount equaling from 2 to 5 percent of the amount of the capital provided, as established by SBA regulation. The purpose of this stock-purchase requirement is to build up the investment of private funds and, in

due course, to make Federal participation unnecessary.

Loans to small-business concerns

Small-business investment companies are authorized to make loans of such sound value, or so secured, as reasonably to assure repayment to small-business concerns, both incorporated and unincorporated. These loans may be made directly or in participation with other lending institutions. The maximum interest rate on such loans is to be set by the SBA. The maximum maturity of such loans is 20 years, but an investment company may extend the maturity of a loan for an additional 10 years if such extension will aid in the orderly liquidation of a loan. If, for example, a company grants a 20-year amortized loan of \$20,000, payable in annual \$1,000 payments, and after 15 payments have been made the borrower finds it impossible to continue payments at that rate, the company would be free to reduce the remaining payments and extend the maturity of the loan, up to 10 additional years so as to retire the balance of the debt at the reduced rate of payment. The company presumably would delay granting the extension until the loan matures, but the existence of this extension authority would permit the accommodation of the borrower, in appropriate cases, during the life of the loan.

Without approval of the SBA, the total amount which a small business investment company may lend and invest in a single small-business concern may not exceed 20 percent of the combined capital and surplus of such investment company (subordinated debentures purchases by the SBA under this bill are treated as part of capital and surplus for purposes of this limitation).

Mr. BOW. Mr. Chairman, will the gentleman yield?

Mr. McDONOUGH. I yield.

Mr. BOW. Could the gentleman tell us the number of employees that would be required under the investment company charter? How many new people would be added to set up that branch of the Small Business Administration?

Mr. McDONOUGH. Does the gentleman mean Federal employees?

Mr. BOW. Yes.

Mr. McDONOUGH. I do not anticipate any Federal employees, because if we adopt the amendment of the gentleman from Indiana it would be the local agencies that would have the job of issuing these charters.

Mr. BOW. But in order to charter those companies, to set up the new division and to do the chartering.

Mr. McDONOUGH. That I could not answer, as far as the number of employees is concerned. Of course, if we amend the bill to eliminate the Federal Charter Investment Corporation, then we would not have that problem at all.

Mr. BOW. If you set it up, you will have to have some new Government employees, and perhaps to police the corporations that have been set up. I am wondering if the gentleman from Indiana [Mr. HALLECK] is not correct, that it should go back to the States where this provision has already been made.

Mr. McDONOUGH. I agree. Otherwise we would have to add Federal employees to provide for issuing these charters here in Washington. I agree that the State agency is the proper level.

I yield.

The CHAIRMAN. The time of the gentleman from California [Mr. McDONOUGH] has expired.

Mr. LANE. Mr. Chairman, I ask unanimous consent to extend my remarks at this point.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. LANE. Mr. Chairman, the phenomenal growth of big business is a fact known to almost everyone. The success-prestige of these large companies makes it easy for them to obtain long-term credit and equity capital. Big business secures part of the money for expansion or for replacement of equipment out of retained earnings. It also obtains equity capital by selling stock to those who are willing to become shareholders in its prospects. In addition, it borrows capital on a long-term basis by selling bonds or by giving notes to individuals or other institutions.

Small business is unable to raise the money it requires in this manner.

In the development of our economy, no provision has been made to supply this essential need of small business.

There is no institutional source to which small business may turn to acquire the necessary capital.

As a result, there are many obstacles in the way which constrict the operations of small business, and curtail the functioning of regular business competition.

This serious lack, and various possible remedies for it, have been earnestly studied by the Committee on Banking and Currency of the Senate, and by the committee of the same name in the House.

They were impressed by the urgent necessity for broadening present banking facilities in order to make capital loans and equity capital available to small enterprises. In this conviction, they were supported by similar problems in other capitalistic nations, and the steps that were taken to open up new channels of financing for them.

This is not a case of the Government itself going into the banking business. It is an assist from the Government to encourage the development of new institutions that will provide the lifeblood of capital for small businesses.

S. 3651 will stimulate the creation of small-business investment companies, chartered by the Small Business Administration, and eligible for long-term loans from the SBA. State and local development credit corporations will also qualify for such assistance.

With no direct contact between the Government and small enterprises, and with a minimum of Federal activity, this new program will realize the following objectives:

First. To supplement, rather than supplant, existing private facilities;

Second. To operate under a simple and flexible organizational structure;

Third. To operate and be accounted for in complete separation from other Federal small-business programs;

Fourth. To utilize to the maximum possible extent the facilities of State and local development credit corporations; and

Fifth. To concentrate upon meeting the equity and long-term credit needs of small-business concerns.

The consensus of opinion among witnesses who appeared before the committee is summed up in the words of Chairman William McChesney Martin of the Federal Reserve Board who advised: "That there is room for a Government program to foster the flow of private investment funds to small business."

It is obvious that existing financial institutions in the United States, are not designed and are not equipped to meet the long-term credit and equity needs of smaller enterprises. Commercial banks are not able to furnish such financing; their function lies primarily in short and intermediate-term lending; they do not supply venture capital or long-term credit. The present financial institutions which do provide a source of venture capital are not able to assist smaller firms. The cost involved in the public sale of securities is prohibitive to small-business issuers.

These needs can be met by the establishment of new private financial institutions. S. 3651 will fill that need.

Most of us believe that these new private institutions can be profitable. This bill is designed to provide Government impetus and assistance. When these purposes have been served, Federal participation can be eventually retired.

Small businesses, because there are so many of them are the foundation of economic enterprise.

Adequate financing on reasonable terms must be provided to insure their growth and development.

S. 3651 is a carefully considered method to fill this institutional gap.

Upon all the evidence available, it is well worth the venture.

Mr. SPENCE. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. MULTER].

Mr. MULTER. Mr. Chairman, this bill that comes before us from the House Committee on Banking and Currency is intended to fill a real need. All who have considered the matter, whether bankers, economists, lawyers, or legislators, agree that there is no place in our economy today to which small business can turn for help in order to get equity or risk capital. There is no place where small business can go to get a 20-year loan. The bankers concede that existing law prohibits that in most instances. In any event, they will not advance such risk or equity capital.

At the outset I would like to make clear that this bill is not intended to take the place of any other program that exists today, either privately or under Government sponsorship. This is a supplementary program to fill a need that cannot otherwise be filled. The bill of course treads upon new ground. It will undoubtedly be required to follow uncharted courses. It is a new program. We admit and recognize that it is experimental in nature. All who have studied the problem concede that we must do something for small business in this connection, without which it cannot possibly get the help that it needs.

Objection has been raised to one particular provision of the bill. We are told

that it comes from the American Bar Association. The argument that was made in part against the provision of the bill for the national chartering of small business investment companies that are called for in this bill is that it is going to take business away from the lawyers back home and bring it to the lawyers in Washington. Any lawyer who is worthy of the right to practice law in his home city or town knows that he does not have to come to Washington to form a Washington corporation. If he has had the slightest corporate experience, he knows that he did not have to go to Delaware to form a Delaware corporation. Lawyers are forming Delaware corporations every day without going there and without hiring counsel in Delaware. The same is true of the District of Columbia. If today a lawyer wants to form a new corporation in the District of Columbia, all he need do is prepare his certificate of incorporation and send it not to a local lawyer but to the Superintendent of Corporations of the District of Columbia. If his papers are in order they will be filed, the superintendent will take his fee, and his company is incorporated. It is no different in the District of Columbia than it is in any State of the Union.

So this figment of someone's imagination, that some lawyer back home will lose some business if we have national charters under this act is ridiculous.

Another point that is raised is that this provision for the national charter of corporations will result in more corporations at the Federal level than at the State level. Let me point out to you that this is a banking function that you are setting up under this bill. Call it investment if you will, call it what you will, it is a banking function. True, the banks up to the present time have not entered into this field. In many instances that is because the home States prevent their entering the field; in other instances on the national level the Federal statutes prevent their entry into this field.

We have had a dual banking system recognized in this country from time immemorial: We have commercial banks on the State level, and we have national commercial banks on the Federal level. We have credit unions—the very smallest financial institutions of our country—on the State level and on the Federal level. They are organized at their choice under State law or under Federal law. The same thing is true of savings and loan associations. They may be organized either under State laws or under Federal laws. We have the same situation as to commercial banks. They organize under either State laws or the National Banking Act.

Mr. SEELY-BROWN. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield to the gentleman from Connecticut.

Mr. SEELY-BROWN. I wonder if the gentleman will address himself to the other argument presented by the gentleman from Indiana in which he read the letter from the American Bar Association. Do you know—and I am asking for information—do you know of any State where existing State law does not permit

the charter of small-business investment companies as envisioned by the passage of this act?

Mr. MULTER. It is my belief that there are a number of such States. I cannot name the States, but it is my opinion that there are very few States that presently permit the organization of small investment companies such as envisioned by this bill. This is a new program. Few, if any, State laws ever contemplated this type of business. It is my considered opinion that in the State of New York you could not heretofore have organized one of these companies which would have complied with its banking statutes; I know that in New York, you could not use the word "investment" as part of the name of the company without the permission of the State banking department.

But let me as a further answer to that question call your attention to page 981 of the hearings before our Committee on Banking and Currency. There you find set forth the proposed administration bill on this very problem, and in section 501 of that bill we find this provision:

SBA—

The Small Business Administration—can make loans to small business investment associations, chartered under State law or (in the absence of State authority) by SBA.

So the administration in preparing this bill recognized the fact that there must be some States that would not permit a corporation such as this to be organized under State law.

Mr. SEELY-BROWN. The gentleman along with me attended all the hearings and heard all the testimony. Was there any testimony whatever indicating the position of the American Bar Association on this particular item?

Mr. MULTER. There was not.

Mr. HALLECK. Mr. Chairman, will the gentleman yield at that point?

Mr. MULTER. Let me first yield to the gentleman from Georgia, Mr. BROWN, please.

Mr. BROWN of Georgia. Is it not true that the American Bankers Association has approved this bill in principle?

Mr. MULTER. Not only in principle, sir, but as to this specific provision for national charters. Now, we did not follow their exact recommendation because they had a slightly different provision as to the three-year period, but they approved this very idea of national charters.

Mr. BROWN of Georgia. I would rather have the approval of this association than the approval of some lawyers.

Mr. MULTER. Let us put it this way, that the American Bar Association and the banks which are members of it have some mighty good lawyers working for them. Had any of those lawyers discovered anything wrong with this provision we would have heard about it.

Let me answer further, and I think it will answer the question the gentleman from Indiana has in mind, with reference to the American Bar Association.

Where have they been all this time? This matter has been under study for a long time.

In the other body, when they were considering this bill, a gentleman by the name of Mr. Steadman, the same gentleman who wrote to the distinguished gentleman from Indiana [Mr. HALLECK], appeared before the Senate committee and said:

I want to make it perfectly clear that I am appearing here this morning as a private individual, principally for the reason that no section of the American Bar Association is entitled to take a specific stand with respect to any legislation until such has been approved by the board of governors.

After giving his testimony in which he objected to this provision, his attention was called to the fact he had come in at the last minute before the other body to make this objection. As a matter of fact one Member of the other body said to him: "I must say it comes with rather bad grace to the bar association, although this is not the bar association, but merely an individual, to rush in here on the very last morning of the hearings to object to a provision that has been under serious consideration for practically a year."

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. SPENCE. Mr. Chairman, I yield the gentleman 3 additional minutes.

Mr. MULTER. Mr. Chairman, in the other body the chairman of the Committee on Banking and Currency concluded with this witness, Mr. Steadman, by saying:

We are going into executive session on this bill next week. Get to us your specific objection or proposed amendments so that we can consider them.

Nothing further was heard from the gentleman.

We did not start hearings on this bill before the House Committee on Banking and Currency until April of this year. The public hearings were concluded in May of this year. I say to the gentleman who raises this question that no member of the bar association, and no one, speaking for the American Bar Association, to my knowledge, communicated to our committee a single such objection. There was no request to be heard orally and no request to incorporate in our record anything on this subject.

I say that the gentleman from Indiana is wrong when he says that this bill requires national charters. It does not. It says you can have a State corporation which will qualify under this act if the State law permits, but if the State law does not permit it you can get a national charter. In either event if it qualifies, it can get the benefits of this statute and get the loans that are available to such corporations and, in turn, be enabled to make long-term loans and investments in small businesses.

Mr. HALLECK. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield to the gentleman from Indiana.

Mr. HALLECK. First of all, I would like to say that it has been represented to me in respect to the protest of the

American Bar Association and their representative that there were no hearings held on this bill. I made inquiry about that; and if there were any hearings on this legislation, apparently they were in connection with some broad overall matter going on before the gentleman's committee. I do not believe he can be charged with any dereliction in that regard.

Mr. MULTER. Let me stop the gentleman there. This bill was considered not only by the Banking and Currency Committee of both Houses, and ample public notice was given to all concerned and to all interested, but there were special hearings on this very problem conducted by the House Small Business Committee. They, too, were amply and fully publicized.

Mr. HALLECK. When was this bill introduced?

Mr. MULTER. The Senate bill?

Mr. HALLECK. The House bill.

Mr. MULTER. We are considering the Senate bill; but the House Committee on Banking and Currency considered the Talle bill on this very subject, it considered the Multer bill on this subject and the Patman bill on this subject, and I think 4 or 5 other bills, all dealing with this precise subject.

Hearings were held on all of those bills, and after we concluded our hearings the other body then having also had similar bills before it brought forth this bill as a composite of its best thinking on these bills. We considered that Senate bill and brought it here with our amendments.

Mr. HALLECK. Of course, whether or not they protested at that time does not really have any bearing upon the merits of the problem before us. That is something that we have to decide. But, again I insist there was no special legislation that would have alerted anyone, by reasonable care, that this proposition might come up.

Secondly I would like to say this.

Mr. MULTER. First let me note for the Record that I most vigorously disagree with the last statement of the gentleman.

Mr. HALLECK. The gentleman spoke of Mr. Steadman's testimony before a committee in the other body.

Mr. MULTER. Yes.

Mr. HALLECK. What was the date of that testimony?

Mr. MULTER. That was on May 2, 1958.

Mr. HALLECK. Now, I would like to say to the gentleman that I have in my hand a memorandum with these words:

With respect to this proposed legislation the American Bar Association on June 24, 1958, through its board of governors, adopted the following resolution, a certified copy of which is attached to this memorandum:

"Resolved, That the inclusion in any statute adopted by the Congress of the United States of any provision requiring or permitting the Federal incorporation of business enterprises should be opposed."

So, it is an official action of the American Bar Association, of which I am proud to be a member, may I say, and for which association I have a high regard.

Mr. MULTER. I have a high regard for the association and its membership and its board of governors, but again I say to you that that is action by its board of governors and not by the membership at large, and it is unfair for them to come in with that kind of a resolution after all of the hearings are closed. They are as wrong as they possibly can be. I think in this instance we are better off to take the advice and suggestion of the lawyers in the banking field, acting for the American Bankers Association and the banks, and when they say on this point that this is good legislation, I say that we can take their word for it and go along with them on this rather than with the board of governors of the American Bar Association.

Mr. KILBURN. Mr. Chairman, I yield 1 minute to the gentleman from Indiana [Mr. HALLECK].

Mr. HALLECK. Mr. Chairman, I would just like to again point out that no one has come up with the name of a State that lacks sufficient statutory authority to grant these charters. As against that we have the definite statement of the American Bar Association as the result of a study made by the American Bar Foundation, that after a careful examination of all the State statutes—contrary to the wrong assumption contained in the report of the committee—every State has proper statutory authority to grant these charters.

Now, we hear a lot of talk around here about States rights. Everybody seems to be for it. Well, if we are for it, if we want to avoid further centralization here in Washington, if we want to continue State authority and prerogatives, then I say the amendment I propose to offer here should be adopted, because these charters can be granted back in the States as they have been ever since the founding of the Republic.

Mr. KILBURN. Mr. Chairman, I yield 6 minutes to the gentleman from Ohio [Mr. BETTS].

Mr. BETTS. Mr. Chairman, I am supporting this bill because I believe that somewhere it might be of some assistance to small business in a limited way. But I think it represents the wrong kind of thinking about small business which has been taking place in Congress for many years. It proceeds on the basis that the average small-business man wants money or credit. That is not true. He wants an atmosphere in which he can do business without having to borrow money or go in debt. He does not want more Government in his affairs—he wants less.

About 100 members of the National Federation of Independent Business sent ballots to my office revealing their views on pending legislation. I think they represent the general thinking of small-business men in my District. Recently I wrote each one and asked him to tell me the one thing he thought would help small business. The answers were revealing and point up the fact that this bill is not the answer to their prayers. Not a single answer mentioned easier terms for borrowing as of first importance, although three letters referred to it in passing.

Here is what most concerns and disturbs the small-business man in the Eighth Ohio District, "burdensome taxation," "unnecessary Government spending," "interference from labor unions," "complicated redtape," "too much foreign aid," "discount houses"—but most of all taxation and extravagance. In other words, it all adds up to too much Government. They feel that the bigger Government gets, the farther away it moves from small business.

To them the pattern of Government spending is difficult to explain—the never-ending construction of luxury office buildings for Federal officials, the always increasing bureaucracy of the National Government with its increase of necessary and time-consuming book-keeping. All of it is hard to reconcile with the struggle of the small-business man who regards the Federal Government as extravagant, which extravagance brings him no relief from oppressive taxation.

Here are some excerpts from typical letters:

Some sort of tax relief for the small business. It is hard, if not impossible, to pay off a capital investment out of current income and still build a business, since to grow means increasing inventories, etc. Try it sometime.

Any legislation that will give tax relief is basic and vital if the small-business man as he is known today is to survive. Now I realize that in order to reduce the tax load the Federal Government will need to reduce expenses. Most businessmen with whom I am acquainted are opposed to the endless subsidies, giveaway foreign programs, and the seemingly wasteful operations that Government takes part in.

He is fearful of expansion of minimum-wage laws, the monopoly of labor unions geared to a program of increasing wages with consequent rise in prices of products he has to buy. The fact that none of my informants expressed any fear over the recession indicates they are more fearful of the economic squeeze from inflation—increasing cost of living—than of a temporary lag in business. Here is an excerpt from another letter:

Another thing Congress ought to do and that is curb these monopolistic labor unions. Industrywide bargaining ought to be banned; unions should be required to make financial reports to the Government and their members annually; control over some labor practices should be returned to the States; strikes should be subject to secret ballot vote; elections should be required periodically; other unfair practices as developed by the McClellan committee should be curbed. You can't have yearly rounds of wage increases with its consequent price increases without sooner or later pricing goods out of the market. In my opinion the present recession is a "buyer's strike" labor induced.

Some small merchants are fearful of competition from large industries. In this area they feel the factors which hurt them are unfair price cutting and company-operated units. As a small-town jeweler put it, "In our line of business, the so-called discount houses and the manufacturers have just about run us out of business." An owner of a market in a typical midwestern community wrote me:

I firmly believe that, unless some sort of protection is established to protect and en-

courage small business, it soon will be devoured and the small-business man along with his right to be independent will be gone.

It is not my purpose to comment on the merits of these statements. Every small-business man will be heartened to learn of the action of the House yesterday in passing the bill which affords some tax relief.

I merely recite these views from letters coming to my desk to show that in passing the tax-relief bill, as well as this bill, we have still left untouched some areas where small business feels the need of real and immediate relief.

So, Mr. Chairman, as I have stated, I shall support this bill only because I hope it will do some good. Those who return to this Chamber next January can take a bolder approach to the problems of small business. Something perhaps along the lines outlined in the letters I have received from genuine small-business men.

Mr. KILBURN. Mr. Chairman, I yield 5 minutes to the gentleman from New Jersey [Mr. WIDNALL].

Mr. WIDNALL. Mr. Chairman, I believe this legislation can serve a very useful purpose. I also agree substantially with the remarks of the gentleman from Ohio [Mr. BETTS], who preceded me, as to the essential needs of small business. In supporting this legislation, and to emphasize the need, I will read some excerpts from the committee report:

A recent and most authoritative study—

Of the type of equity financing for small business and supplying long-term credit—

was made by the research staff of the Board of Governors of the Federal Reserve Board with the knowledge and encouragement of the four Congressional committees having primary interest—the Banking and Currency Committees and the Select Committees on Small Business of both Houses of Congress.

The Federal Reserve Board's study on the financing problems of small business had several objectives. One of these objectives was to assemble information bearing on the question of the economy's facilities serving these needs.

The Board's study found that the financial needs of small business vary among different categories of small concerns and that such needs are most complex. The commercial banking system is not prepared or designed to satisfy needs for equity or long-term credit. Traditionally their operations have been confined to short and, to a limited extent, intermediate-term loans.

We have an existing facility, the Small Business Administration, that has been operating well, that has been administered well, and that has been commended by the Congress. Under the terms of this proposal there would be established within the Small Business Administration a Small Business Investment Division run by a deputy appointed by the Administrator of the Small Business Administration. Two hundred and fifty million dollars is authorized to go into an existing revolving fund of the Small Business Administration. That will be earmarked for this particular purpose, and cannot be used for other purposes of the Small Business Administration.

I definitely believe the need exists for this type of financing and hope the Congress will approve this legislation.

Mr. SPENCE. Mr. Chairman, I yield such time as he may desire to the gentleman from Maine [Mr. COFFIN].

Mr. COFFIN. Mr. Chairman, I believe that we have reached a major landmark in this Congress in recognizing small business as a vital factor in the strength and diversity of our national economy. First of all we have made the Small Business Administration a permanent agency and we have declared its continuing independence of any other department or branch of the executive department. If we had done no more, this would have been a substantial gain.

Small business and methods by which the Federal Government can best insure its survival, have been one of my major concerns since I came to Congress. I have followed each phase of the development of legislation on this matter through House and Senate committees and branches of Congress. I have testified more frequently on this subject than on any other.

I was understandably proud when recent legislation to make the Small Business Administration a permanent agency carried my proposal to direct SBA to make continuing studies of the problems of small business. From my own experience in my own State where well over 90 percent of the businesses can be termed "small" within the definition of SBA, this amendment is very necessary to programing the kind of help that is really needed.

Today we are again breaking new ground. The Small Business Investment Act, to be administered by the SBA, provides new, badly needed sources of capital and credit. It is a new experiment but one that I believe will work and I have recommended its passage in testimony before House and Senate committees.

In testifying before the Senate Small Business Subcommittee of the Banking and Currency Committee, which approved this bill before it came to the House, I advocated two specific and very important amendments. Both of them are contained in this bill.

In my testimony, I expressed serious doubt that there would be many substantial pools of investment capital available, at least in Maine, to form companies with at least \$250,000 of private investment. I urged that this amount be reduced to \$150,000. The bill before us in effect meets my objection. The total paid-in capital and surplus must total \$300,000, but half of this amount can be loaned by SBA. This 50 percent which would come from the purchase by the Small Business Administration of the company's debentures would be subordinate to any of the company's other obligations and would be deemed part of its capital and surplus.

A second amendment which I proposed to this bill, as well as to the Small Business Act, would provide SBA loans to nonprofit development companies. This amendment is contained in this bill under title VI. This provision will, I am confident, encourage the town-meeting approach to the problem of at-

tracting new industries. Local money can be made to go much further in helping to bring new prosperity to the community. I regret that a similar provision was not included in the Small Business Act. I am gratified, however, that this bill, which will be administered by SBA, has combined equity capital with lending functions, thus providing greater flexibility in SBA's lending operations—an objective which I have supported very vigorously.

It seems to me that the House Banking and Currency Committee has acted most wisely in insisting that the administration of this new experiment in the field of small-business financing be placed with SBA. It has been my feeling that an additional agency, set up to administer equity capital, would necessarily overlap many of the functions of SBA and perhaps create additional avoidable costs.

Mr. Chairman, I want to emphasize my earnest belief that this Congress has done more for small business than we can perhaps appreciate. Approval of the pending measure will complete this very excellent record.

Mr. SPENCE. Mr. Chairman, I yield 10 minutes to the gentleman from Texas [Mr. PATMAN].

HALLECK AMENDMENT

Mr. PATMAN. Mr. Chairman, before discussing the bill more fully, I want to comment on the amendment that is proposed by the distinguished gentleman from Indiana [Mr. HALLECK]. I find myself in disagreement with him. I know he is a good, fine, conscientious, able Member of this body, and I know he has, in the past, been very helpful to legislation for small business. I know he is sincere in his advocacy of this particular amendment, but I think it would be a very damaging amendment if it were adopted.

The small-business man, whether he gets his loan from the Small Business Administration or a bank, or regardless of whom he gets his loan from, by the time he gets through paying the deductions from it, does not have near the amount of the principal left.

The deducts, for different reasons, get a large part of his loan.

So, if we are going to have another deduction for the lawyers, earmarked for the lawyers, the small-business man will have even less. I know the lawyers will do this work of drawing up the articles of incorporation anyway, and the lawyers will be satisfied to take their chances. Not one lawyer in the District I have the honor to represent has asked me to support this type of legislation on any bill that has been before Congress, since I have been a Member starting 30 years ago. Lawyers are not interested in having a tollgate. Lawyers are not interested in making the people go through a tollgate and make a contribution to them for a specific purpose. Lawyers are competitive. They are a good, honorable, honest, outstanding group of Americans. I am privileged to belong to that group. I have been in the practice of law. I know about the initial starvation period. It is not fiction. It is real. I know something about the

practice of law. But I have never known a lawyer to insist that a tollgate be set up for him or for the legal profession. Lawyers will take their chances.

If I were writing the amendment to carry out what the purpose of the amendment offered by the gentleman from Indiana, I would write it something like this: To provide that no small-business investment company shall be chartered unless the articles of incorporation for such company are prepared and presented to the administration by an attorney licensed to practice in the State where the principal office of the small-business investment company is located. That is exactly what it means—to require the use of lawyers in a certain place. I am a realist, and I know that the lawyers will do this work anyway. Only lawyers can prepare these papers. But why set up a State tollgate and say "You have to pay the lawyers." Of course, these State legal organizations sometimes even fix the fees that you must pay; and that could be a great handicap to the administration of this act.

Mr. SEELY-BROWN. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield.

Mr. SEELY-BROWN. Is it not true in fact that regardless of whether you have a national charter or a State charter, the local lawyer is going to do 99 percent of the work?

Mr. PATMAN. Certainly. The local lawyer is not asking for this amendment.

But there is another reason for this amendment: Over the years we have had a difficult time impressing the American people and the Congress that small business does not have a place to get adequate financing. But, now we have the proof—we have the proof from the American Bankers' Association, and we have the proof from the Investment Bankers' Association of America and we have proof from everybody to the effect that the commercial banks are not set up to do equity financing or long-term financing for small business. We have it down now in black and white and presented overwhelming proof, for the first time that it has ever been presented to Congress.

Heretofore it has always been argued—"let the banks do this—the banks can finance small business, so there is no need for Federal assistance in setting up a program that will compete with the banks."

But, now we have the proof. It is admitted that there is no place for the American small-business man to go to obtain adequate financing in this American economy of ours. In this private enterprise system, the best system on earth, there is a vacuum.

So, the question is: Are we going to fill that vacuum? Are we going to let the small-business man have an opportunity—mind you, not an unfair opportunity, not something that is discriminatory in his favor, but an equality of opportunity to get capital, just as big business can raise capital. That is all we want for small business. We have a bill here that will give the small-business man an equality of opportunity to obtain capital.

The bill as now written permits state chartered associations—there is nothing in here to prohibit state chartered associations. They are provided for in this bill, and Federal charters are also provided for in this bill.

We will have a little competition between the States and the SBA. Possibly it will be good for small business. If they cannot get a State charter, let them get a Federal charter. We have that in banking. We have State charters and we have Federal charters. Do you not think the small-business men should have the same chances of obtaining a charter for their small business? I have not heard the gentleman from Indiana (Mr. HALLECK) arguing against Federal charters for national banks. I have not heard him or the other supporting this amendment argue any against Federal charters for Federal land banks or for production credit associations or for savings and loan associations or for others I could mention. Why would they just object when a bill comes up just for the small-business man? Why should it now be for the first time that a tollgate be put into the legislation for small business?

The small-business man has to pay here and pay there and now this tollgate. He will not even have his shirt left if we keep putting in these deductions for him to pay. We want fewer deductions; we want to give these small-business people a chance.

This amendment would handicap this bill for two reasons: First, it would channel all business through the 48 States. All the States' supervisors of financial institutions are not friendly to small business. They do not know the problem as we do. We have studied it. The State officials will probably not be sympathetic to this program. They would put it under the banking agencies or banking associations. The banks would not be sympathetic to it. To require a State charter, under present State laws, would be a handicap and small firms would be deterred in their efforts to get loans as they have in the past. So let us not turn this back to the 48 States and say, "See your local lawyer and go through your State." This is a Federal proposition. It affects our national economy. It affects the economy in the 48 States. It is not just a State matter.

Mr. BROWN of Georgia. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield.

Mr. BROWN of Georgia. Is it not true that State savings and loan associations are asking to become Federalized?

Mr. PATMAN. Yes. Many are becoming Federalized now. They prefer it. It is the same setup here. If the small-business investment company wants a State charter, they can have it. If they want a Federal charter, they can get a Federal charter.

It has been argued that it will require more Federal employees to grant Federal charters. It will require no more people, because it will require just as much work to pass upon whether a State chartered company is eligible to do business with the SBA, as it will to issue a charter in the first place.

Mr. McDONOUGH. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield.

Mr. McDONOUGH. May I call the gentleman's attention to the section of the bill that provides for the Federal charter investment corporations that may be converted to State chartered investment corporations. The gentleman is not opposed to that; is he?

Mr. PATMAN. No.

Mr. McDONOUGH. But you do say that most of them should go to the Federal Government for a charter rather than to the State?

Mr. PATMAN. No. I am for the State charter, too; I say give the small man a choice. But I am not for the tollgate, where they have to make a compulsory contribution to lawyers. I do not object to the lawyers doing the work, and I do not object to them getting a fair fee for it, but I do object to a compulsory tollgate.

The CHAIRMAN. The time of the gentleman from Texas [Mr. PATMAN] has again expired.

Mr. KILBURN. Mr. Chairman, I yield 6 minutes to the gentleman from Illinois [Mr. McVEY].

Mr. McVEY. Mr. Chairman, we have had some excellent talks on this legislation this afternoon. But I would like to bring together some of the essential provisions in this bill, because upon the merits of those essential provisions we are going to vote up or down this legislation.

I have made a note of the principal provisions to which I think we should direct our attention.

It has been said many times that this legislation provides for only long-term capital, and that investment is not to be made directly to business concerns, but is to be made to the small investment companies. Those companies may be chartered in Washington or in the locality of the investment company.

These loans are made by the Small Business Administration through the Deputy Administrator appointed to administer the provisions of this bill. We have legislation already enacted for short-term loans. Bills of that character are on the statute books. There is at the present time a sufficient amount of money provided for short-term loans to small business. This bill, as I have said, provides long-term capital loans for small business.

The need for this legislation has been expressed by the United States Chamber of Commerce, the American Bankers Association, and the Committee for Economic Development. To my mind it is a safe and sound bill, and one we can support if we understand its provisions thoroughly.

These investment companies will at all times be under the supervision of the Small Business Administration.

A revolving fund of \$250 million is provided. This fund according to the bill before us cannot exceed the \$250 million ceiling.

This bill has been reported favorably by the Banking and Currency Committee before which hearings were held, and much time was given to the considera-

tion of the merits of the bill. I wish to support it and recommend its passage.

Mr. WIDNALL. Mr. Chairman, will the gentleman yield?

Mr. McVEY. I yield.

Mr. WIDNALL. Is it not true that under the provisions of this bill a company would have to start with not less than \$300,000 in paid-up stock?

Mr. McVEY. The gentleman is correct.

Mr. WIDNALL. And the maximum that can be furnished by the Small Business Investment Company to any one concern is \$150,000?

Mr. McVEY. The gentleman is correct.

Mr. WIDNALL. Is it not also true that any borrower would have to purchase from 2 to 5 percent stock in the Small Business Investment Company?

Mr. McVEY. That is true.

Mr. VORYS. Mr. Chairman, will the gentleman yield?

Mr. McVEY. I yield to the gentleman from Ohio.

Mr. VORYS. I have heard of a minimum for the Small Investment Company; is there any maximum?

Mr. McVEY. The maximum loan to any particular company is \$150,000.

Mr. VORYS. One hundred and fifty thousand dollars?

Mr. McVEY. Yes.

Mr. VORYS. Is there any upward limitation on what size the company would have to be? I mean, would it be possible for a \$10 million or a \$20 million company to organize and get a \$150,000 loan?

Mr. McVEY. No; they could get only \$150,000 for purposes of organization. That is the maximum that the organization or the administration can supply.

Mr. VORYS. Is there any limitation in this bill on the size of a business called a "small business"?

Mr. McVEY. The bill does not define the term "small business." I suppose the customary acceptance of what a small-business concern is would apply in this case.

Mr. JONAS. Mr. Chairman, will the gentleman yield?

Mr. McVEY. I yield to the gentleman.

Mr. JONAS. What is the reason for the requirement that at least 10 persons must subscribe to the articles of incorporation before a Small Business Investment Company can be organized? In my State, for example, 3 people may form a corporation, but this requires 10. I wonder why.

Mr. McVEY. I do not know that I can answer the question correctly, but it seems to me it is provided for the purpose of spreading responsibility in these investment organizations.

Mr. NEAL. Mr. Chairman, I ask unanimous consent to extend my remarks at this point in the Record.

The CHAIRMAN. Is there objection to the request of the gentleman from West Virginia?

There was no objection.

Mr. NEAL. Mr. Chairman, the orders imposed upon small business during recent years have increased as inavailability of capital funds has shrunk, as Federal taxation has failed

to recognize inequity and as the trend toward big business operations has reduced their competitive advantages.

The distribution of economic well-being of our Nation will depend more and more upon the successful operation of local industry and business where local employers and local tax contributions can help toward building and supporting aggressive forward-looking communities.

The Small Business Administration, empowered to grant short-time loans to new and hard pressed businesses has established a creditable record for saving local establishments from financial ruin. There is a great need for longer term availability of funds to encourage development and profitable operation of this type of local endeavor. This bill gives promise of meeting this need. It should be approved by the Congress after adoption of the amendment to eliminate the provision that small-business investment companies must be chartered by the Federal Government. The Federal Government's authority over rights and privileges belonging to the State under our Constitution have already been too frequently preempted.

Mr. KILBURN. Mr. Chairman, I yield 5 minutes to the gentleman from Ohio [Mr. HENDERSON].

Mr. HENDERSON. Mr. Chairman, I shall possibly give voice to some of the unuttered questions of my colleagues here concerning this legislation. I am sure there are many such questions because this is legislation which marks an uncharted venture for the Federal Government.

I approach the subject with many misgivings because it does not require too much perception for me to see in this device a step in the direction of public ownership and its accompanying control of business. Of course I realize that the amount of Federal money loaned, but in reality invested, in a given enterprise will in no event approach a majority of the total capitalization, but we are aware that an effective minority can have a powerful voice in the operation of a business venture, especially if that minority should happen to be the sovereign state. I realize too, that there is no statement of intent that there be any control, and certainly no permissive or mandatory language that would give the Government any control, but both of those can come in later legislation after the initial step has been taken.

The bill has been carefully worded, and the provision for the establishment of small-business investment companies by private individuals who can obtain up to 50 percent of their financing from the Federal Government, seemingly breaks the chain which would link the Federal money and the company which needs it. We are providing for the establishment of a middle man to parcel out the Federal money which we authorize by this bill. It is hoped that this maneuver will remove the taint of possible Federal control of the commercial activity or of public ownership. These are the dangers which we should guard against. Time and experience in the years ahead will determine whether we have provided effective safeguards.

Most of the advisory bodies and organizations which have studied this proposal as well as the committees of Congress are convinced that there is a need for funds to provide small business with long-term equity capital. The American Bankers' Association which would appear to have reason to be critical of such a proposal has indicated that there is a need for this type of financing which the banking industry has not met. The Committee for Economic Development, the United States Chamber of Commerce, the Federal Reserve Board, the Department of Commerce and the Small Business Administration all seem to indicate that there is a need for such funds.

Authorization is contained in this bill for a revolving fund of \$250 million to be established from appropriated funds. These funds will be administered by the Small Business Investment Division of the Small Business Administration. The Division would be authorized to charter small-business investment companies incorporated by 10 or more persons. The SBA would have discretion in issuing the charters and could take into consideration many pertinent factors in its consideration of the request of the proposed company for a charter. Each small business investment company would be required to have not less than \$300,000 of paid-in capital and surplus before commencing business. The SBA is authorized to provide a maximum of \$150,000 to each company formed, through the purchase of subordinated debentures. The SBA could also make other loans to the investment companies not to exceed 50 percent of the paid-in capital and surplus.

These small-business investment companies having been formed and provided with a mixture of private and Federal funds could then provide equity-type capital to small-business concerns through the purchase of convertible debentures, containing terms and interest rates as the companies fix under SBA regulations. Parenthetically, I would like to mention, that here is a measure of control, not over the operation of the borrowing company, but over the terms of the funds. The investment companies will not be free agents.

Loans may be made directly or in participation with other lending institutions, at a rate of interest established by the SBA for terms up to 20 years with a provision for an extension for 10 more years.

This is a brief summary of the provisions of the Small Business Investment Act. No Federal control over the operation of the borrowing company seems apparent, yet I know of no reason why the SBA cannot suggest or even demand a course of conduct as a condition to an investment company's granting a loan. Thereafter, the borrowing company knowing that it may need an extension of that loan at some time in the future, will be inclined to pretty well follow a suggested course of conduct; and when the time comes to approach the investment company for an extension of the loan, many, many conditions can be incorporated.

I wonder what a borrowing company will think about this new partner that

enters his concern. Reports, reports and more reports could be the order of the day. Inspection on the heels of inspection can be his fate. Congress, heretofore lacking authority over the internal management of a business entity may find it convenient to enact regulations and codes of conduct to apply to those firms which have found it necessary to resort to this new type of financing.

The need for funds is conceded by most all of us. The method suggested by this bill may bring some surprises, as Uncle Sam assumes a new role as Uncle Sam, silent partner. Will he remain silent?

Mr. FLOOD. Mr. Chairman, will the gentleman yield?

Mr. HENDERSON. I yield to the gentleman from Pennsylvania.

Mr. FLOOD. I should like to inquire as to what is meant by small business? We have been using the term loosely here for a number of years as that business which has less than 500 employees. How do we use the term "small business" in a definitive sense in this act with reference to that loosely accepted definition here?

Mr. HENDERSON. I will be pleased to yield to the chairman to answer the question.

Mr. FLOOD. I think the gentleman from Texas [Mr. PATMAN] can help us.

Mr. PATMAN. Of course, the term "small business" is relative. It depends on the type of business. In some lines of business \$250,000 or \$350,000 would probably be a monopoly—in the case of needlecraft and things like that. In other lines of business, such as the automobile business, it would not mean much. It is a relative term. One definition of it has been "small business is any business that is not large enough to have a Washington representative."

Mr. SEELY-BROWN. Mr. Chairman, will the gentleman yield?

Mr. HENDERSON. I yield to the gentleman from Connecticut.

Mr. SEELY-BROWN. I think I am correct when I say that the definition as to what small business will be is subject to determination by the SBA. It has the authority under the enabling act which created the Small Business Administration and a new act has just recently been passed by each House.

Mr. HENDERSON. That is correct.

Mr. SEELY-BROWN. That definition will be determined by the SBA in accordance with the ground rules laid down by this Congress itself.

Mr. MEADER. Mr. Chairman, will the gentleman yield?

Mr. HENDERSON. I yield to the gentleman from Michigan.

Mr. MEADER. I am very much concerned about the creation of corporations by the Small Business Administration as is set up in title III, the matter that the gentleman from Indiana called attention to. Now, I wonder if the gentleman from Ohio has given any particular study to that phase of the bill and how it may affect the operation of the corporation statutes of the several States.

I know that in the State of Michigan, for example, to incorporate, the incorporators have to pay filing fees; corporations have to make annual reports and

pay franchise fees, and a considerable amount of revenue to the State of Michigan is derived from that source.

I do not know what limits are going to be insisted upon by the Administrator as to the type of business that one of these small-business investment companies might engage in, but conceivably, if you do not have to pay any franchise fees or filing fees and are not subject to the corporation laws of any State because you have a Federal charter, I can see a possibility of disturbing the corporation laws of this country by the provisions of title III and giving the Administrator of the Small Business Administration the power to create corporations. I wonder if my fear is unfounded.

Mr. HENDERSON. I might say to the gentleman that there are two questions involved: Regardless of where the entity comes from, whether it be Federal or State, the Small Business Administration still has the authority to determine whether or not it will recognize it to do business under this act; in other words, questions relative to the need in the particular community, and a great number of other questions must be answered before the SBA will authorize a small-business investment company, whether State chartered or otherwise, to do business and to use Federal funds. The second question, of course, is the method of organization. The two questions should not be confused.

Mr. MEADER. I would like to complete this matter, if the gentleman can clear it up for me. It seems to me that this might be an avenue through which the Small Business Administration could create corporations. Now, their charter might require them to do nothing but loan to a small-business enterprise, and maybe the Administrator could say "Well, you are not doing that kind of business; you are out buying bonds on the general market and securities of concerns that are not small business, and we will not let you operate under this act any more." But, they still have their charter; they can still do business. What policing is there by the Federal Government that is comparable to the policing that a State government does in reference to corporations created under State law?

Mr. HENDERSON. I might say to the gentleman that the investment companies once formed, were they to violate the regulations imposed upon them, would not be able to use Federal funds, would not be eligible to borrow SBA funds to continue to operate, and could not, as such, lend any Federal funds. Line 20, page 11, of the bill suggests this limitation.

Mr. MEADER. But, would they still not be an incorporated business able to do business?

Mr. HENDERSON. A State-chartered corporation would be. The fate of a Federal corporation is in doubt.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. SPENCE. Mr. Chairman, I yield 1 minute to the gentleman from Texas [Mr. PATMAN].

Mr. PATMAN. The bill provides that the term "small business concern" shall

have the same meaning as found in the Small Business Act of 1953.

Section 203 of the act reads:

For the purpose of this title, a small business concern shall be deemed to be one which is independently owned and operated and which is not dominant in its field of operation. In addition to the foregoing criteria the Administration, in making a detailed definition, may use these criteria, among others: Number of employees and dollar volume of business.

So, that definition, I believe, is as good as any definition that could be arrived at, and I think it is satisfactory. It puts on SBA the responsibility of setting standards and criteria depending upon the type of business the firm is engaged in.

Mr. KILBURN. Mr. Chairman, I ask unanimous consent that all Members may have permission to extend their remarks at this point in the Record.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. EVINS. Mr. Chairman, the chairman and the members of the Banking and Currency Committee are to be commended for bringing to our consideration in this session this far-reaching legislation. This small-business investment bill attacks one of the most serious problems facing small business and offers an effective tool to help preserve the position of small business in our economy and thereby to insure a continuation of the climate of opportunity which has been one of the most important characteristics of our American system.

The most immediate assistance that we could give to small business would be an equalization in tax treatment. Earlier this week we took some steps in this direction. It is regrettable that the economic conditions of our country and the fiscal position of our Government makes it impossible at this time to go as far in this direction as most of us know we ought to go.

Our inability to act in the field of taxation gives us all the more compelling reasons for taking action to help small business in this equally vital area of providing a better source of capital for the expansion of present small business and the creation of new small businesses.

Seldom has there been as complete unanimity as to the need for legislation as there has been in regard to the need for providing better and more easily available sources of investment capital for small business. The Small Business Committee of this body has held hearings in this area since last fall. The equivalent committee in the other body has also held hearings on this matter in the past few months. We heard testimony from high officials of the executive branch, from the Governors of the Federal Reserve System, from the Department of Commerce, from private bankers, from economists, and from businessmen. The testimony has been unanimous as to the need for some access to long-term capital on conditions small business can meet.

Furthermore, Mr. Chairman, economic studies indicate clearly that the position of small business has been deteriorating rapidly in the past few years and that

the disadvantages it suffers in the field of financing have been becoming more and more serious. Big business has access to ample sources of capital for expansion. The effects of our own Government's fiscal policies have tended to open the doors to additional capital wider for big business and to close them for small business. For example, the repeal of the excess-profit taxes freed for big business a tremendous source of capital for expansion. Similarly the so-called tight money policy tended to put small business at a far greater disadvantage in this respect. It is time we took action in this field and I am pleased to see this bill before the committee today.

Since this is a new venture into a field where we have had little previous experience there have been differences of opinion as to the best way of meeting this great need. Nobody really knows whether this is the best way to do the job. But it is a big step in the right direction. I am confident it will work and that with greater experience we can eventually devise a system which meets the needs of small business in this area efficiently and effectively.

The facilities we will set up in passing this bill will not be in competition with private financing institutions or other sources of capital but will supplement and augment them. It is designed to fill a real need which no present institutions could fill adequately. It has been approved by the bankers themselves. It will be of special value, in my judgment, in the rural and less developed areas of our country where opportunities for business have been declining recently and where sources of investment capital are the most limited.

Mr. Chairman, as a member of the Small Business Committee, I want to urge all my colleagues to vote for this bill. By passing it we can strike an effective blow to preserve the equality of opportunity and the system of free enterprise which have been among the great glories of our way of life.

The need is present. The opportunity here exists to be of real service in an area where some assistance is pressing and I trust this bill will be approved.

Mr. MCCARTHY. Mr. Chairman, this bill was designed to make available more equity capital for small-business investment. It should improve the competitive position of small business in the capital market of the United States.

I am assured that the authors of the bill and the committee reporting it are confident that the institutions resulting from the passage of this bill will not in practice be in competition with small, independent commercial banks.

Mr. Chairman, I favor the passage of this bill.

Mr. BROWN of Missouri. Mr. Chairman, this Small Business Investment Companies Act of 1958 may well be and certainly should turn out to be one of the finest achievements of the 85th Congress.

It is not a highly advertised or glamorized measure, and it may sound a little confusing to many small-business men. But it is an historic step toward protecting the future of small business, and I am proud to have played a part in the

long, hard committee work that started the ball rolling and hammered out this bill.

This act seeks to fill a void in the American financial community, a void that has existed for a long time. With this act, Government is stepping forward and asking American investors to invest venture capital in small business. With this act, Government is trying to encourage a reasonable flow of private capital into worthy smaller enterprises.

And in a constructive positive way, we are striking a blow against monopoly and giantism by strengthening competitive forces.

Now, I am sure that many people feel that nothing can really be done to keep big business from eating up the small. It has become a fad, to say blithely that big business is more efficient than small business. They point to quantity purchasing, fancy equipment, and so forth to prove that the giants will inevitably own it all. Well I have had some experience with some of the Nation's largest businesses. I have a wholesome respect for their operations. But let me tell you that efficiency and economy are not always their greatest attributes.

When a big business gets giant size, just the simple task of informing each other—holding meetings and conventions and talking over long distance telephone—becomes an appalling expense. Further, they often become slow-acting and sluggish. They cannot react to a changing situation as rapidly as a smaller firm.

In most fields, the good small business may well be more efficient than a big business, especially in distribution—wholesaling, and retailing.

If they are good, small businesses join buying groups and buy at quantity discount. They purchase advertising at local instead of higher national rates. Their operation is not unwieldy or cumbersome.

If this act works as it should work, there will be hundreds of small business investment companies scattered over America performing investment banking service for small business. The little man will be able to get well-rounded tailor-made financing help quickly, just as the giant corporations get it at investment houses on Wall Street.

And this is a crying need. Generally speaking, the good small business can get short-term working capital. Commercial banks are performing this service.

But when it comes to long-term loans for equipment and plant or when it comes to expanding facilities, the little man has a real problem.

Occasionally, a small business gets an insurance company to make a real estate mortgage loan. But by and large, most small business equipment purchases are financed by chattel mortgages held by suppliers—short-term paper, heavy monthly payments, and high interest rates.

Let me give you an example. There are two clothing stores on the public square of your hometown. One is owned and operated by John Smith—a local man who grew up in the clothing

business, a good operator highly respected.

The other is a good operation, too, 1 of some 500 stores owned and operated by a national chain which is listed on the New York Stock Exchange and whose stock is widely held by small individual investors around the country.

John Smith and this national chain are competing heatedly, each getting a share of the town's clothing business.

Pursuant to a national expansion, the chainstore decides to modernize and remodel.

The company comptroller at the national headquarters goes to an investment bank probably on Wall Street and unfolds an elaborate brochure, showing what the company wants to do, and winds up by saying we need \$2 million.

The investment bankers, experienced financial men, go over the plans and arrive at a complete financial program. A portion will be handled by long-term bonds or preferred stock, another part in common stock, so much in mortgage debt to be held by insurance companies. A complete financing program.

The company agrees and the investment bank writes them a check for \$2 million. Then the company proceeds to modernize their stores all over the country, while the investment bank is selling the bonds and the stock to thousands of small investors all over America.

The investment banks, the insurance companies, the mutual funds, the whole financial community thinks primarily in big business terms. The best service is for big business.

It's so much easier to handle a \$2 million capital program than it is to fool around with 200 different \$10,000 programs. Investors are educated to it. It's a natural flow. And where capital flows, business volume will follow almost without exception.

So, the national chain operation gets capital. But what happens to John Smith who must modernize and improve his operation to compete? Well, first, he talks to his local banker. The banker tells him that it's a good idea; but explains that, under the banking laws, the commercial bank is designed for short-term loans, working capital to cover inventory and accounts receivable and emergencies. They're not set up to serve long-term capital needs.

So, together, they contact an insurance company. But the answer is that the insurance company is not very much interested in a small loan of that size. Only some 6 percent of their total dollar loan volume has been going to small businesses.

Certainly, investment banks and most stock brokerage houses are not interested in John Smith's clothing store on Main Street.

So, unless the merchant can persuade the wealthy widow or the rich uncle to help him out, or unless he makes a mistake and loads himself down with short-term chattel mortgages to equipment suppliers, he is sunk. He just cannot modernize.

A serious void exists in the financial community; small business does not have adequate sources for equity capital and

long-term loans. Congress recognized this void years ago and adapted the Reconstruction Finance Corporation as a new source for small-business long-term loans. That Government agency was a lifesaver to many a small business.

Later, the Congress created the Small Business Administration as a source for semi-long-term loans for small business. That agency exists today. It has helped some small businesses. It is now doing a better job than it did. But it is not anywhere near the solution to the problem.

In the first place, the total loans made by the SBA represented seven-one-hundredths of 1 percent of the Nation's expenditure for new plant and equipment last year. It is a mere drop in the bucket.

And even expanding the SBA is not an adequate answer to this vast problem.

First, the SBA is a loan agency. It is not authorized to solicit capital for small-business firms. There are no aggressive SBA salesmen out selling investors that they should invest in small business. And that is what small business needs. They need a source for capital that is similar to investment-bank service for big business.

Second, the SBA is a Government institution. No one's salary in the SBA offices around the country is dependent on making loans. So what if they delay a decision on an application? So what if they make \$50,000 worth of loans this quarter instead of the \$1 million they should have made? Everybody will get his paycheck just the same. Small business needs a source for long-term loans operated by a company that has to make loans to survive, and has to make good loans or go broke.

This Small Business Investment Companies Act seeks to establish investment-banking service for small business. This bill creates investment companies around the country which are to interest investors in investing in small-business investment companies that will make long-term loans or sell equity shares in small businesses that have a right to a future, investment companies that will correlate and handle the financing problems of a small business, like John Smith's clothing store.

These investment companies will eventually be owned almost entirely by private capital. They will be started with some Government assistance, but Government money will be a minor part of the picture.

The directors and management of the small-business investment companies will have a monetary interest, a profit incentive, in soliciting investment funds for small business and in ferreting out good small businesses to employ those funds.

Small-business men who would otherwise be handicapped in growth by lack of knowledge of stocks and debentures and business finance will have an investment company's skilled assistance readily accessible.

If this plan works as we who have fathered it believe it will work, small business will in time have more adequate sources for equity financing and long-term loans.

If the plan works as it should work, good efficient small businesses will be able to hold their own against giantism concentration.

The young man with skill and know-how will be able to take a new idea to his small business investment company and, if it has merit, get financial assistance in launching it.

If this plan works, and is expanded, it could well be the most effective anti-trust and antimonopoly legislation yet, because it is a positive step, a constructive approach toward strengthening competition.

Instead of relying on "anti" legislation to slow down this headlong dash to giantism, instead of always trying to "bust 'em up," let us strengthen the other clubs in the league. This bill can mean more competition, less concentration.

Now, these good things can happen and will happen if this bill is administered by people who believe in it and who will set out to make it work. If it gets halfhearted, insincere handling, if it is bogged down in red tape and legal jargon by eye-dotters and tee-crossers who lose sight of the total picture by concentrating too intently on their own personal interests, this bill will not achieve what we want it to achieve.

But I believe in this bill. In the long range, it can and should prove to be a monumental legislative achievement. This is a big step, a step that we should be able to look back on with pride one of these days.

Let us pass it; and let us see to it that it is administered with tender loving care.

Mr. RAY. Mr. Chairman, I rise in opposition to S. 3651. In principle it seems to me just bad practice for the Government to enter the field of furnishing long-time loans to provide equity capital as contemplated by this bill.

The \$250 million fund and the cost of administering the Federal Government's functions under the bill seem exorbitant and extravagant in relation to the speculative benefits small business might get under the bill. The \$250 million figure is just a start, of course, if this program is embarked upon.

Mr. Chairman, small business needs and should have tax relief and accelerated depreciation opportunities. In the absence of legislation for those purposes, S. 3651 seems to me an idle gesture. I have had no request from constituents to support this bill.

Mr. ROGERS of Florida. Mr. Chairman, the Small Business Investment Act of 1958, S. 3651, will provide investment capital and long-term credit for small-business concerns of our Nation, very much needed to aid all of our economy but especially small business.

The bill will establish a program to stimulate and supplement the flow of private equity capital and long-term loan funds which small-business concerns need for the sound financing of their business operations and for their growth, expansion, and modernization, and which are not available in adequate supply. The bill provides for the maximum participation of private financing sources.

The program under this bill will be administered through the Small Business Administration. The present business loan program of that agency is limited to providing short-term and intermediate-term credit when such loans are unavailable from private financial institutions. This program does not provide equity financing. This bill under consideration would provide the long-term loans and equity capital now needed by small business.

This legislation will be a big help to all sections of our economy and the small business units will particularly benefit. At the present time the country's financial institutions are unable to make equity loans and the small-business men have most of their assets tied up in buildings and equipment, and are not able to get the needed money for expansion and improvements. S. 3651 will provide this new capital, and at long-term rates that will encourage this needed progress.

Mr. Chairman, I sincerely hope that this bill will receive the assistance of each Member, so that we may see speedy passage of this bill which will do so much toward strengthening the position of our small-business men, and thereby strengthening our entire economy.

Mr. KILBURN. Mr. Chairman, I yield 5 minutes to the gentleman from Texas [Mr. ALGER].

Mr. ALGER. Mr. Chairman, I had not intended to take part in the debate today, but I had no idea the kind of bill that was coming to the floor of the House or how little opposition there would be to this proposal, the Small Business Investment Act of 1958.

By the way, Mr. Chairman, I must observe that there is no minority report, to which I take exception, because I know that several members of the committee were opposed to the bill, and I believe there is a viewpoint that needs to be expressed.

Mr. Chairman, I now want to refer to the hearings at page 977. Lest anyone think there were no hearings, let me quote from one of those who testified. He directed his remarks specifically to equity capital and long-term credit for small business. The witness is Mr. Wendell B. Barnes, Administrator, Small Business Administration, and this is what he said:

In the case of equity capital financing, however, there is no equally objective method of evaluating the risk and determining eligibility. Thus, if no objective method of determining eligibility exists, it is most difficult to determine to whom equity capital financing shall be extended and, therefore, what the limits of the program shall be; the demand for equity capital may be limitless. In the case of credit financing, collateral can protect the lender; in the case of equity financing, the investor is protected only to the extent that he has correctly analyzed the potentiality of the business and is granted an opportunity to have a voice in control of the management. This is a function for which the Government is ill adapted.

Then he proceeds to outline 10 points which I think—at least as far as I am concerned—proves without a doubt that this bill is self-defeating. I leave those for your own consideration. I just

wanted the Members to know that they are here in the record of the hearings.

I was one of those who opposed making permanent the Small Business Administration. I realize what a small minority that places me in. But I must tell you that there are a great many people across this country, and certainly down where I come from, contrary to what anyone may think from listening to other Representatives, who do not believe that this is the function of the Federal Government.

As to equity capital, why can the small-business man not get it from the banks? Because they are a poor risk? Is that any reason for Uncle Sam to step in? I hardly think so. Also, let me tell you that this will expand Government personnel considerably. Read the bill. Section 201 specifies a whole new division and also mentions other employees that are involved and where they would be as to their civil service grades.

Mr. Chairman, who are going to get the loans? Here is one of the most challenging matters in the bill. Unless everybody gets a loan it is not fair. And obviously we cannot afford to give everybody a loan. Who is so wise to grant loans to some and deny them to others? This is not the function of government. Government financing with taxpayers' money is unfair advantage for the benefited businessman over his competitors. In fact, it is the taxpayer's own money that is subsidizing his competitor.

It also applies to the smaller loans. It seems to me it is quite likely that we will be subsidizing poor business operation, since the loans will be made only if the loan is not available elsewhere.

At a time when this Government is running a terrific national debt; at a time of national emergency, this is no time for us to play fast and loose with the taxpayers' money. In view of the amount of the national debt, and the deficit we are facing this year, I decry this alleged help to small-business men who are able to stand on their own feet.

Mr. Chairman, also I take exception to the definition of small business. I defy anybody to tell me what that definition of small business really means. I cannot figure it out, and I include the one that was given to us on the floor earlier today.

How are we going to help small business? One very simple way that we can is to cut the spending that we are doing so recklessly in Congress. If we do that, then we will be able to cut back taxes, so that some small-business men do not have to get loans to pay their taxes, or ask for these equity loans.

Secondly, we need a balanced budget more than we need inflation at this time as a real help to the small-business man. And no amount of wording or complicated provisions such as are in this bill is going to help the small-business man.

I happen to have the feeling, and I am sure many of the Members do, that what the people want most of all, including the small-business men, is a tax cut. And only by opposing some of these large spending measures can we help get that tax cut for the small-business man.

The thing that appalls me the most is that there is not any division of opinion particularly here today in this new venture by the Federal Government. If one political party conceives an idea, the other party has got to beat them to the punch. So today we have a bipartisan push behind this new venture which even the proponents of the bill call an experimental field. We are treading on brandnew ground. This is not the time for us to tread on new ground with the taxpayers' money.

Mr. Chairman, it seems to me that this is a time of crisis and we need national solvency more than we need to add to the \$15 or \$20 billion deficit staring us in the face.

I conclude, Mr. Chairman, by saying to you that this is self-defeating legislation under which businessman is set against businessman at the expense of the voiceless or forgotten taxpayer.

Mr. KILBURN. Mr. Chairman, I yield 5 minutes to the gentleman from Michigan [Mr. MEADER].

Mr. MEADER. Mr. Chairman, I have asked for this time because I should like somebody on the committee or perhaps somebody on the Committee on the Judiciary to give me some enlightenment on title III of this measure.

Title III authorizes the Small Business Administration to charter corporations, small-business investment companies. I realize it is for a period of only 3 years that the act gives that authority to the Small Business Administrator, but any corporation created within the next 3 years could have a life of 30 years, and would not be dissolved even though the authority of the Administrator to grant new charters expired.

Under State laws there are rather elaborate provisions for the governing of corporations and their permission to do business as corporations. I am concerned about granting this rather broad power to the Administrator and its effect upon the operation of the corporation statutes of the several States.

I know that in the State of Michigan corporations are required to pay a filing fee, they are required to pay a certain amount on the stock they are authorized to issue, they are required to pay annual franchise fees, and substantial revenues are derived by the State of Michigan from that source. But from a federally chartered concern no fees of any kind are required either to incorporate or to conduct business each year, as is required by most State laws.

Certainly, if the powers are broad enough to do what a small investment company should do, it could engage in almost any kind of business, I believe, and still not impair its corporate authority. I can see that this might be a fine thing for people who want to incorporate but do not want to pay fees and taxes for State incorporation, for they can simply run down to the Small Business Administration and get a charter. But I wonder what effect it will have on State laws.

Mr. JONAS. Mr. Chairman, will the gentleman yield?

Mr. MEADER. I yield to the gentleman from North Carolina.

Mr. JONAS. Is there any provision in title III for supervision of corporate activity by the States? Who will be in charge of supervising these activities?

Mr. MEADER. That is a question I should like to have answered by a member of the committee.

Mr. MULTER. Mr. Chairman, will the gentleman yield?

Mr. MEADER. I yield to the gentleman from New York.

Mr. MULTER. I will try to answer some of the gentleman's questions.

This is not a novel procedure or a new method of forming Federal corporations or corporations with national charters. The language we have used in this bill is similar to that which is used in at least three other instances.

No. 1, credit unions. We have a Credit Union Act on the Federal statute books, under which the Federal Government charters Federal credit unions, quite apart from each State having the right to do the same thing. The States do it and the United States Government does it.

Second, we have a Federal statute which permits the chartering of savings and loan associations. Every one of the 48 States has similar laws. There is no interference one with the other.

Third, and most important, and what probably has the longest legislative history, is the chartering of banks. Every State in the Union charters State commercial banks and so does the National Government under a Federal statute. It is under our National Banking Act, that our national banks are organized.

We have tried to use as nearly as possible the language of the statutes as to credit unions, savings and loan associations, and banks, so that these new companies will not have carte blanche to do anything and everything they please. A corporation that will be organized under the authority of this act when chartered by the Small Business Administrator will be limited to the authority as set forth in the act. At the same time, each State has the authority to enact legislation to permit the organization of this same kind of corporations. If existing State law permits that, then the State corporation can go to the Small Business Administration and have all of the benefits of a nationally chartered corporation under this act.

Mr. JONAS. Mr. Chairman, will the gentleman yield?

Mr. MEADER. I yield.

Mr. JONAS. The Federal Government has national bank examiners and we also have examiners in the savings and loan field to which the gentleman referred. Where is the provision here for any supervision by any Government agency over the activities of these corporations that you propose to charter?

Mr. MULTER. We also have supervision through the Federal agency of the credit unions and you will have the same thing here by the rules and regulations that will be set up by the Administrator for the chartering, operation, and supervision of both the Federal and the State corporations.

Mr. JONAS. It would take an army of investigators to do that.

Mr. MULTER. The provisions for examiners and examinations at the ex-

pense of the companies and not at Government expense, are in this bill at page 20 as a part of section 308.

The CHAIRMAN. The time of the gentleman has expired.

Mr. KILBURN. Mr. Chairman, I yield 5 minutes to the gentleman from Illinois [Mr. SHEEHAN].

Mr. SHEEHAN. Mr. Chairman, I rise in support of the small business bill under consideration. I do realize some objections have been made to certain parts of the bill as to its method of operation, but I am sure the House in its wisdom can clear up these objections with the proper amendments. I am sure that in the agreement with the other body that the bill will bring forth conditions and terms which the small business community can all look forward to living with. A previous speaker talked about the fact that what small business needs is not so much legislation of this sort as it needs tax relief. I agree with that very much, with this exception—that small business cannot get adequate tax relief.

In 1953 and 1954, I was a member of a Small Business Subcommittee under the chairmanship of the gentleman from Connecticut [Mr. SEELY-BROWN]. We heard many firms testify before us to the problems that they had encountered in their growth because of the tax situation. Many firms told us how they grew and how they would make over \$25,000 a year. Taxes would hold down their expansion. They needed money for plant expansion. Unfortunately, the Government after \$25,000 of profits took 52 percent of their profits and they could not save money because of the tax situation.

This year when the Committee on Ways and Means began hearings with regard to tax relief for small business, I was fortunate to be the first witness to testify in behalf of the small business tax bill which I and other Republican members of the Small Business Committee, had introduced. I pointed out at that time to the Committee on Ways and Means that every committee in the Congress had given help to small business except the Committee on Ways and Means. I cannot say that any more for the simple reason that last week a bill came out of the Committee on Ways and Means giving a certain amount of tax relief to small business. Unfortunately, I do not think the tax relief afforded by that bill will be adequate.

What small business needs is risk capital. As long as banks and the stock market and other financial institutions cannot provide business with small capital, then it seems to me this bill provides an avenue for help for small business. I feel although there is a point that the gentleman from Texas made, that Government should not be interfering and that we should have regard for the taxpayers' pocketbooks, if there is no other way possible of getting help for small business, then I support the provisions of this legislation.

Mention was made of risk capital. The banks will give small business money if they need it on their inventory and if they need it on their accounts receivable, but the small-business man who wants to

build a building which will take 20 or 30 years to depreciate or who wants to buy machinery which will take 10 or 15 years to depreciate cannot possibly get that money from banks or savings and loan institutions or from practically any other financial institution today. Therefore, in many cases, his last resort is to come to the Government and to see whether the possibility is there for him to obtain money for expansion or risk capital.

Mr. SEELY-BROWN. Mr. Chairman, will the gentleman yield?

Mr. SHEEHAN. I yield.

Mr. SEELY-BROWN. I think the gentleman made a very good point. While this bill should be helpful, I think all of us can agree that the most helpful thing we can do for small business is to provide proper revision of our tax laws along the general terms outlined by the gentleman who is now addressing us.

Mr. SHEEHAN. The gentleman from Connecticut [Mr. SEELY-BROWN], is eminently correct. The gentleman knows all of the Republican members of the Small Business Committee as well as all the Democrat members of the Small Business Committee in their tax bills, which they introduced, tried to provide a ceiling of \$100,000 or \$150,000 before the surtax tax rates would apply.

In these tax bills the small-business man on his earnings up to \$100,000 or \$150,000 would only have to pay 30 percent, the normal tax rate. That would give him money to expand. Under our present tax laws he does not have the money to expand, nor do I see, in the immediate future, his getting adequate tax relief. So this legislation is the only means I can see at this time where small business has a chance of getting help for such capital and equity expansion.

Mr. MULTER. Mr. Chairman, will the gentleman yield?

Mr. SHEEHAN. I yield to the gentleman from New York, who has done such a tremendous lot of work for the small-business community.

Mr. MULTER. I thank the gentleman for those kind words. I would like to recall to the gentleman that all of these small-business bills when originally introduced had tax features written into them. Those tax features have been eliminated from this bill on the assurance of the other body and the House Ways and Means Committee that a bill will be enacted which will cover the tax situation so as to create additional incentives to carry out this program.

Mr. SHEEHAN. I thank the gentleman for his observation.

The CHAIRMAN. The time of the gentleman from Illinois [Mr. SHEEHAN] has expired.

Mr. SPENCE. Mr. Chairman, I yield 2 minutes to the gentleman from Georgia [Mr. BROWN].

Mr. BROWN of Georgia. Mr. Chairman, I would like to quote from the testimony of Mr. Wendell B. Barnes, Administrator of the Small Business Administration, when he appeared before our committee. Here is what he said, which appears on page 980 of the hearings:

I would like to recommend to this committee favorable consideration of H. R. 12057, entitled "Small Business Capital Act of 1958,"

which on April 22, 1958, was introduced by Mr. TALLE. A number of similar bills have been introduced by other Members of the Congress.

I have just talked to Mr. Barnes out here, and he says he is for this bill.

Mr. SPENCE. Mr. Chairman, I yield 5 minutes to the gentleman from Iowa [Mr. COAD].

Mr. COAD. Mr. Chairman, today the House is considering an important piece of progressive legislation and I am pleased to be among those urging its enactment. Today the House is demonstrating its willingness to face up to the realities of economic life by dealing directly with one of the inequitable conditions under which the small-business man is required to compete. The situation to which I refer is that wherein the small-business man finds himself handicapped because of his inability to obtain long-term loans and equity capital financing in any fashion commensurate with that enjoyed by his giant competitors.

This discriminatory situation has received the attention of economists and Government leaders for many years but it is refreshing to realize that today, by the enactment of this bill, we will be helping to remove one of the barriers to the advancement of the small business segment of our economy.

As a means of demonstrating the fact that today we are dealing with the most important group of our country's businessmen, let me tell you that a recent report of the House Small Business Committee discloses that 99 percent of all firms doing business in the United States employ fewer than 100 employees; that those companies employing fewer than 500 employees accounted for 99.8 percent of all business firms doing business in this country. There are between 4 and 5 million such small business concerns doing business in this Nation, but despite this amazing bit of statistical information, we must recognize that big business dominates our economy. We are certainly justified therefore in passing legislation that will help correct any discriminatory aspect in our economy that serves to retard and jeopardize the progress of these 4 to 5 million manufacturers and merchants.

Inasmuch as the financial problems of small business have been studied by Government officials and economists during the past 20 years or more, there exists a wealth of evidence pointing to the fact that financing opportunities available to small business are wholly inadequate. The sources of capital for big firms are many and adequate; the sources for small firms are few and scarce. More than 10 years ago, the Committee for Economic Development asserted that one of the fundamental needs of small and medium size business is more adequate financing—more ownership funds are needed as compared with borrowing funds. Within the past several months Mr. Alfred Neal, president of the Committee for Economic Development told the House Small Business Committee that capital in the form of either equity capital or of long-term debt is required by growing businesses to finance investment in

plant and equipment and for permanent expansion of working capital.

The Assistant Secretary of Commerce also testified before the House Small Business Committee recently. He stated that the greatest problem facing small business in their financing requirements is long-term money, that is, anything longer than what we ordinarily know as commercial banking. He continued his testimony by asserting that in his opinion well-organized companies with good earnings have little difficulty in getting short-term financing, but that all of them have trouble getting long-term financing.

A representative of the American Bankers Association told the House Small Business Committee that the banks are not set up—they are not capitalized—they are not organized for the purpose of providing equity capital and they certainly are not organized for the purpose of providing long-term loans.

It is thus made clear that in enacting the Small Business Investment Act of 1958, the Congress is not creating a Government agency that will compete against existing private lending institutions. Indeed, it is in reflection of the fact that privately owned sources of credit are not available for use by small-business concerns in obtaining long-term loans and equity capital, that the need for this legislation has arisen. The problem is one which the Congress must solve.

We are all aware of the substantial increase in population that our country has enjoyed since the end of World War II. We are also aware of the radical changes that have occurred in the economy of our country. We have witnessed wave after wave of corporate mergers leading to a dangerously high degree of concentration in many industries. We have watched the growth and application of modern merchandising methods, the successful creation of suburban community shopping centers, giant chain organizations, supermarkets, and other changes demonstrating the dynamics of the modern businessman serving the consumer's needs today.

If the small merchant is to continue to constitute an important competitive factor in our economy, he must keep pace with the modern tempo. He must replace obsolete fixtures and equipment. He must be able to participate in, and be included among, those companies comprising the suburban shopping centers. He must offer services commensurate with the supermarkets. In short, he must modernize, be aggressive and effective in his overall merchandising operations. It costs money to keep pace with such a program and this kind of money cannot be obtained by the small-business man by going to his local banker and borrowing money for 90 days. He must be able to obtain money on a long-term basis. But today there are virtually no sources to which he can turn for such assistance.

His giant competitors, the large chain stores, experience no difficulty in obtaining long-term loans or equity capital and it is this discrimination that exists between these two classes of merchants

that must be eliminated, lest the small-business man himself be eliminated.

There is a consistency in the evidence showing that the legislation being considered today must be enacted today because time is running out. Every Member of this House is fully aware of the frightening rate at which business failures are occurring and have occurred during the past year. And we all know that it is our small business firms that account for the vast majority of these failures. These days no one ever hears of a big business concern becoming bankrupt. It follows therefore that our consideration of this bill is especially timely and it also follows that no delay in passing this bill can be tolerated. We have waited long enough. We must act now.

It might be that some of the Members feel that the Congress, in creating the Small Business Administration, took all the action that was necessary in order to supply small business with appropriate financial assistance, but such is not the case. It is my opinion that Congress acted wisely in creating that agency and we now know that its operations have proved to be of inestimable value to the small-business man. I always favored legislation designed to make it a permanent agency and it is heartening to know that recent Congressional action has now made it permanent, but as set forth in the report of the House Banking and Currency Committee pertaining to the Small Business Investment Act of 1958, the business loan program of the SBA is limited to providing short-term and intermediate-term credit. Its program does not include, and indeed it is not authorized to provide, equity financing. The Federal Government at this time has no program which would make available long-term loans or equity capital to small business.

The legislation being considered today will create an additional activity of the Federal Government but this fact need provide no reluctance upon the part of any Member to embrace its provisions. The services rendered by our Government to its people cannot remain static. Like our economy it must keep pace with the times and must be reflective of the needs and demands of the people. If the enactment of this measure is considered to constitute bold action by the Congress, let me remind you that some degree of boldness is necessarily associated with all progressive legislation. The Small Business Investment Act of 1958 is progressive legislation but this time, even though we are pioneering we have the benefit of an abundance of competent, trustworthy evidence which supplies complete justification for our action. All of the Governors of the Federal Reserve Board have announced their approval of the principle of this bill. They have advocated action by the Government to fill in this gap in the financial lending structure of our country's economy.

As pointed out by the report of the House Banking and Currency Committee, the Small Business Investment Act of 1958 will create—not a new agency, but merely a new division within the present Small Business Administration.

This Division will be semi-autonomous in nature and permitted to devote its undivided attention to this specific problem. The existing revolving fund of that agency will be increased by \$250 million which increment will be earmarked to carry out the provisions of the act.

The bill provides for the creation of small business investment companies chartered and approved by the SBA. These small business investment companies must have paid-in capital and surplus before commencing business of at least \$300,000 of which \$150,000 may be advanced by the SBA through the purchase of debentures of the investment company. National banks become authorized to purchase stocks in these companies.

The Small Business Administration will lend money to these small investment companies to augment the funds obtained by these companies from private sources.

It is the small-business investment companies that will loan the money to the small-business concerns. In return they will receive convertible debentures of the small firm. Other safeguards are provided which appropriately protect the Government's interest and assure recovery of the money advanced.

Before a small-business company may obtain such assistance, it must purchase stock in the investment company in an amount ranging from 2 to 5 percent of the amount of the capital provided, thereby building up the investment of private funds which ultimately will permit Federal participation to disappear.

The Small Business Administration is authorized to lend money to State-chartered companies that would operate as small-business companies under the act. At this time about half of the 48 States, or I should say 49, now have or are about to have State development companies.

The small-business companies benefited by this measure may be either incorporated or unincorporated, and the loans granted to them need not be repaid until the expiration of 20 years. This term may be extended for 10 additional years by the investment company.

The Small Investment Act of 1958 is a good bill. It reflects a tremendous amount of study and investigation. It deals squarely with an important but wholly unresolved problem confronting the 4½ million small-business concerns doing business in our country. In some respects, it may be argued that the provisions of the bill are too conservative in that the funds made available to the SBA for this purpose are inadequate. Moreover, it might have been better if a separate agency was formed to administer its provisions, but time does not permit further vacillation. The objectionable features of the bill are outweighed by its many advantages. Time and experience will demonstrate the effectiveness of this measure, which in turn will permit the Congress to bring about improvements and perfections in the law. As presently constituted, the measure is constructive and progressive because it will strengthen the competitive capacity of the small-business man. It will, therefore, improve the health of our

entire economy. It provides for appropriate safeguards to protect the money invested by the Government. It is in the public interest; it is good legislation. It merits favorable consideration by every Member of this House.

Mr. SPENCE. Mr. Chairman, I yield 5 minutes to the gentleman from California [Mr. HOLIFIELD].

Mr. HOLIFIELD. Mr. Chairman, I am very happy to see this bill brought to the floor by the great Committee on Banking and Currency, and I am certainly 100 percent in support of it.

I listened with some amazement a few minutes ago to the gentleman from Texas [Mr. ALGER] when he made the statement that he opposed this bill, in view of the fact that this bill does not offer subsidies to small business, but merely offers a service, a loan service, in which the Federal Government participates only to the extent of making a certain amount of credit available to an investment company organized under State or Federal charter.

I think it is about time we do something for small business. I have been a small-business man since the time I was 16 years of age. I have been engaged in my own business and I know something about the problems of small business in getting financing. When I think of the subsidies that are being extended to big business operators in this Nation, I say that this bill is a very modest attempt to give some service and not some subsidy to small-business men.

I only have to call your attention to the fact that in the past few years we have granted \$32 billion—and I use the word "billion," not "million"—worth of tax amortization to the big corporations, allowing them to write off out of their profits their capital investment over a period of 5, 7, or 8 years. Small business had no such opportunity.

I point out to you the subsidies that we have given to the airlines in actual cash, subsidies for operating expenses and subsidies we continue to give them in the way of certain types of navigational service from Government-supported institutions.

I point out to you the subsidies that we give to the merchant marine. We have just authorized some \$60 million recently for the building of a great liner for the private shipping interests on the theoretical assumption that we might be able to use this ship sometime in war.

I could go on down the line and refer to the guaranties that we give to the building industry and those people under the FHA and the Veterans' Administration housing program. The list is limitless of the aid and assistance and subsidies we have given to big business.

We now offer a modest and small program to give a few small-business men—I fear there will be too few who will qualify—an opportunity to borrow on their own equities over a longer term than they can get from commercial banks and we find Members who come down into the well of the House and decry the action of the committee in furnishing this modest service to small business.

Mr. WESTLAND. Mr. Chairman, will the gentleman yield?

Mr. HOLIFIELD. I yield to the gentleman from Washington.

Mr. WESTLAND. I have been a strong supporter of SBA. I think it has done a fine job in my own Congressional District. Most of the talk I have heard here this afternoon has been in terms of minimums, in other words \$150,000 must be raised by the local interests and you get the other \$150,000 from the Federal Government. I guess you can get another \$150,000 after that. But I see nothing in here about the maximum. I would be interested to know whether or not a small-business investment corporation, for example, could set itself up as a \$10 million concern, and I suppose they could get \$5 million from the Federal Government, and maybe they could get still another \$5 million.

Mr. HOLIFIELD. I will ask the gentleman to direct that question to the committee.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. HOLIFIELD. I yield to the gentleman from Texas.

Mr. PATMAN. It is limited to \$250,000.

Mr. HOLIFIELD. That is to the individual borrower?

Mr. PATMAN. That is \$250 million overall. Divided up that means about \$83,000 per county in the United States, which is entirely too small.

Mr. HOLIFIELD. And the limit is \$250,000 to 1 borrower?

Mr. PATMAN. That is identifiable. Mr. HOLIFIELD. One identifiable small business borrower.

Mr. WESTLAND. Mr. Chairman, will the gentleman yield?

Mr. HOLIFIELD. I yield to the gentleman from Washington.

Mr. WESTLAND. I would like to get this cleared up if the gentleman will listen a little further.

Mr. HOLIFIELD. I was fortunate enough to get only 5 minutes.

Mr. WESTLAND. I will delay my question and will get it over on this side.

Mr. SEELY-BROWN. Mr. Chairman, will the gentleman yield?

Mr. HOLIFIELD. I yield to the gentleman from Connecticut.

Mr. SEELY-BROWN. I believe I can answer the question that the gentleman raised about the \$10 million. Let us take a \$10 million corporation. One hundred and fifty thousand dollars would have to be provided, and the private investors would put up the \$10 million. You add the two figures together and divide and you will find the amount that the SBA can loan.

Mr. WESTLAND. That is not an answer to my question.

Mr. HOLIFIELD. Mr. Chairman, I appreciate the work the committee has done on this. I am going to support the committee on this bill, and I am going to vote against any amendments that may be offered to the bill. I have read it, and I think this is a long overdue and belated effort on the part of the Congress to give the little fellow a chance to obtain some service as a result of Government credit.

Mr. SPENCE. We have no more requests for time, Mr. Chairman.

The CHAIRMAN. The Clerk will read the bill for amendment.

The Clerk read as follows:

Be it enacted, etc.,

TITLE I—SHORT TITLE, STATEMENT OF PURPOSE, AND DEFINITIONS

Short title

Sec. 101. This act, divided into titles and sections according to the following table of contents, may be cited as the "Small Business Investment Act of 1958."

TABLE OF CONTENTS

Title I—Short title, statement of policy and definitions

Sec. 101. Short title.

Sec. 102. Statement of policy.

Sec. 103. Definitions.

Title II—Small Business Investment Division of the Small Business Administration

Sec. 201. Establishment of Small Business Investment Division.

Sec. 202. Provision of funds.

Sec. 203. Purposes of revolving fund.

Title III—Small business investment companies

Sec. 301. Organization of small business investment companies.

Sec. 302. Capital stock and subordinated debentures.

Sec. 303. Borrowing power.

Sec. 304. Provision of equity capital for small-business concerns.

Sec. 305. Long-term loans to small-business concerns.

Sec. 306. Aggregate limitations.

Sec. 307. Exemptions.

Sec. 308. Miscellaneous.

Sec. 309. Approving State chartered companies for operations under this act.

Title IV—Conversion of State chartered investment companies and State development companies

Title V—Loans to State and local development companies

Title VI—Changes in Federal Reserve authority

Sec. 601. Repeal of section 13b of Federal Reserve Act.

Sec. 602. Fund for management counseling.

Title VII—Criminal penalties

Statement of policy

Sec. 102. It is declared to be the policy of the Congress and the purpose of this act to improve and stimulate the national economy in general and the small-business segment thereof in particular by establishing a program to stimulate and supplement the flow of private equity capital and long-term loan funds which small-business concerns need for the sound financing of their business operations and for their growth, expansion, and modernization, and which are not available in adequate supply: *Provided, however,* That this policy shall be carried out in such manner as to insure the maximum participation of private financing sources.

It is the intention of the Congress that the provisions of this act shall be so administered that any financial assistance provided hereunder shall not result in a substantial increase of unemployment in any area of the country.

Definitions

Sec. 103. (a) As used in this act—

(1) the term "Administration" means the Small Business Administration;

(2) the term "Administrator" means the Administrator of the Small Business Administration;

(3) the term "company" means a small business investment company organized as provided in title III;

(4) the term "United States" means the several States, the Territories of Alaska and

Hawaii, the District of Columbia, and the Commonwealth of Puerto Rico;

(5) the term "small-business concern" shall have the same meaning as in the Small Business Act of 1953;

(6) the term "investment companies" means investment companies as defined in section 3 of the Investment Company Act of 1940 which are subject to the provisions of that act; and

(7) the term "State and local development companies" means enterprises incorporated under State law with the authority to promote and assist the growth and development of small-business concerns in the areas covered by their operations.

TITLE II. SMALL BUSINESS INVESTMENT DIVISION OF THE SMALL BUSINESS ADMINISTRATION

Establishment of Small Business Investment Division

Sec. 201. There is hereby established in the Small Business Administration a division to be known as the Small Business Investment Division. The Division shall be headed by a Deputy Administrator who shall be appointed by the Administrator, and shall receive compensation at the rate provided by law for other deputy administrators of the Small Business Administration. The powers conferred by this act upon the Administration shall be exercised by the Administration through the Small Business Investment Division, and the powers herein conferred upon the Administrator shall be exercised by him through the Deputy Administrator appointed hereunder. In the performance of, and with respect to the functions, powers, and duties vested by this act, the Administrator and the Administration shall (in addition to any authority otherwise vested by this act) have the functions, powers, and duties set forth in the Small Business Act of 1953, and the provisions of sections 209 and 219 of that act, insofar as applicable, are extended to apply to the functions of the Administrator and the Administration under this act.

Provision of funds

Sec. 202. (a) In order to finance activities as provided in section 203, the Administration is authorized and empowered to issue to the Secretary of the Treasury notes and other obligations in an amount not exceeding \$250 million outstanding at any one time; *Provided,* That the total amount of such notes and other obligations which may be outstanding during the first year after enactment shall not exceed \$50 million and during the second year after enactment shall not exceed \$150 million. Such notes and other obligations shall be in such forms and denominations, have such maturities, and be subject to such terms and conditions as may be prescribed by the Administration, with the approval of the Secretary of the Treasury. Such notes and other obligations shall bear interest at a rate determined by the Secretary of the Treasury which shall not be more than the current average yield on outstanding marketable obligations of the United States of comparable maturities as of the last day of the month preceding the issuance of such notes and other obligations. The Secretary of the Treasury is authorized to purchase any notes and other obligations of the Administration issued hereunder and for such purpose the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such act are extended to include any purchases of such notes and other obligations. The Secretary of the Treasury may at any time sell any of the notes and other obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes and other obligations shall be treated

as public debt transactions of the United States.

(b) Funds borrowed under this section and any proceeds therefrom shall constitute a revolving fund which may be used by the Administration in the exercise of its functions under this act.

(c) There are hereby authorized to be appropriated such sums as may be necessary and appropriate for the administrative expenses of the Administration.

Purposes of revolving fund

Sec. 203. The Administration is authorized to use its revolving fund—

(1) to purchase the subordinated debentures of small business investment companies as provided in section 302;

(2) to make loans to small business investment companies as provided in section 303; and

(3) to make loans to State and local development companies as provided in sections 501 and 502.

TITLE III—SMALL BUSINESS INVESTMENT COMPANIES

Organization of small business investment companies

Sec. 301. (a) Small business investment companies may be formed for the purpose of operating under this act by any number of persons, not less than 10, who shall subscribe to the articles of incorporation of any such company: *Provided*, That no such company shall be chartered under this section after June 30, 1961.

(b) The articles of incorporation of any small business investment company shall specify in general terms the objects for which the company is formed, the name assumed by such company, the area or areas in which its operations are to be carried on, the place where its principal office is to be located, and the amount and classes of its shares of capital stock. Such articles may contain any other provisions not inconsistent with this act that the company may see fit to adopt for the regulation of its business and the conduct of its affairs. Such articles and any amendments thereto adopted from time to time shall be subject to the approval of the Administration.

(c) The articles of incorporation and amendments thereto shall be forwarded to the Administration for consideration and approval or disapproval. In determining whether to approve the establishment of such a company and its proposed articles of incorporation, the Administration shall give due regard, among other things, to the need for the financing of small-business concerns in the area in which the proposed company is to commence business, the general character of the proposed management of the company, the number of such companies previously organized in the United States, and the volume of their operations. After consideration of all relevant factors, the Administration may in its discretion approve the articles of incorporation and issue a permit to begin business.

(d) Upon issuance of such permit, the company shall become and be a body corporate, and as such, and in the name designated in its articles shall have power—

(1) to adopt and use a corporate seal;

(2) to have succession for a period of 30 years, unless extended as provided in section 309 (f), or unless sooner dissolved by the act of the shareholders owning two-thirds of the stock or by an act of Congress, or unless its franchise becomes forfeited by some violation of law or regulation issued hereunder;

(3) to make contracts;

(4) to sue and be sued, complain, and defend in any court of law or equity;

(5) by its board of directors, to appoint such officers and employees as may be deemed proper, define their authority and duties, fix their compensation, require bonds of such of

them as it deems advisable and fix the penalty thereof, dismiss such officers or employees, or any thereof, at pleasure, and appoint others to fill their places;

(6) to adopt bylaws regulating the manner in which its stock shall be transferred, its officers and employees appointed, its property transferred, and the privileges granted to it by law exercised and enjoyed;

(7) to establish branch offices or agencies subject to the approval of the Administration;

(8) to acquire, hold, operate, and dispose of any property (real, personal, or mixed) whenever necessary or appropriate to the carrying out of its lawful functions;

(9) to act as depository or fiscal agent of the United States when so designated by the Secretary of the Treasury;

(10) to operate in such area or areas as may be specified in its articles of incorporation and approved by the Administration; and

(11) to exercise the other powers set forth in this act and such incidental powers as may reasonably be necessary to carry on the business for which the company is established.

(e) The board of directors of each small business investment company shall consist of nine members who shall be elected annually by the holders of the shares of stock of the company.

Capital stock and subordinated debentures

Sec. 302. (a) Each company organized under this act shall have a paid-in capital and surplus equal to at least \$300,000 before it shall commence business. In order to facilitate the formation of small business investment companies, the Administration is hereby authorized, notwithstanding any other provisions of law, to purchase the debentures of any such company in an amount equal to but not more than \$150,000. Any debentures purchased by the Administration under this subsection shall be subordinate to any other debenture bonds, promissory notes, or other obligations which may be issued by such companies, and shall be deemed a part of the capital and surplus of such companies for purposes of this section and sections 303 (b) and 306 of this act.

(b) The shares of stock in any small business investment company shall be eligible for purchase by member banks of the Federal Reserve System, nonmember insured banks, financial institutions, insurance companies, corporations, partnerships, or other persons. In no event shall any member bank of the Federal Reserve System or any nonmember insured bank hold such shares in small business investment companies in an amount aggregating more than 1 percent of the capital and surplus of such bank.

(c) The aggregate amount of shares in any such company or companies which may be owned or controlled by any stockholder, or by any group or class of stockholders, may be limited by the Administration.

Borrowing power

Sec. 303. (a) Each small business investment company shall have authority to borrow money and to issue its debenture bonds, promissory notes, or other obligations under such general conditions and subject to such limitations and regulations as the Administration may prescribe.

(b) To encourage the formation and growth of small business investment companies, the Administration is authorized to lend funds to such companies through the purchase of their obligations which shall bear interest at such rate, and contain such other terms, as the Administration may fix. The total amount of obligations purchased and outstanding at any one time by the Administration under this subsection in any one company shall not exceed 50 percent of the paid-in capital and surplus of such company.

Provision of equity capital for small-business concerns

Sec. 304. (a) It shall be a primary function of each small business investment company to provide a source of needed equity capital for small-business concerns in the manner and subject to the conditions described in this section.

(b) Capital shall be provided by a company to a small-business concern under this section only through the purchase of debenture bonds (of such concern) which shall—

(1) bear interest at such rate, and contain such other terms, as the company may fix with the approval of the Administration;

(2) be callable on any interest payment date, upon 3 month's notice, at par plus accrued interest; and

(3) be convertible at the option of the company, or a holder in due course, up to and including the effective date of any call by the issuer, into stock of the small-business concern at the sound book value of such stock determined at the time of the issuance of the debentures.

(c) Before any capital is provided to a small-business concern under this section—

(1) the company may require such concern to refinance any or all of its outstanding indebtedness so that the company is the only holder of any evidence of indebtedness of such concern; and

(2) except as provided in regulations issued by the Administration, such concern shall agree that it will not thereafter incur any indebtedness without first securing the approval of the company and giving the company the first opportunity to finance such indebtedness.

(d) Whenever a company provides capital to a small-business concern under this section, such concern shall be required to become a stockholder-proprietor of the company by investing in the capital stock of the company, in an amount equal to not less than 2 percent nor more than 5 percent of the amount of the capital so provided, in accordance with regulations prescribed by the Administrator; except that the Administrator may by regulation permit any such concern to defer the purchase of such stock for a period of not to exceed 3 years.

Long-term loans to small-business concerns

Sec. 305. (a) Each company is authorized to make loans, in the manner and subject to the conditions described in this section, to incorporated and unincorporated small-business concerns in order to provide such concerns with funds needed for sound financing, growth, modernization, and expansion.

(b) Loans made under this section may be made directly or in cooperation with other lending institutions through agreements to participate on an immediate or deferred basis.

(c) The maximum rate of interest for the company's share of any loan made under this section shall be determined by the Administration.

(d) Any loan made under this section shall have a maturity not exceeding 20 years.

(e) Any loan made under this section shall be of such sound value, or so secured, as reasonably to assure repayment.

(f) Any company which has made a loan to a small-business concern under this section is authorized to extend the maturity of or renew such loan for additional periods, not exceeding 10 years, if the company finds that such extension or renewal will aid in the orderly liquidation of such loan.

Aggregate limitations

Sec. 306. Without the approval of the Administration, the aggregate amount of obligations and securities acquired and for which commitments may be issued by any small business investment company under the provisions of this act for any single enterprise shall not exceed 20 percent of the

combined capital and surplus of such small business investment company authorized by this act.

Exemptions

SEC. 307. (a) Section 3 of the Securities Act of 1933, as amended (15 U. S. C. 77c), is hereby amended by inserting at the end thereof the following new subsection (c):

"(c) The Commission may from time to time by its rules and regulations and subject to such terms and conditions as may be prescribed therein, add to the securities exempted as provided in this section any class of securities issued by a small business investment company under the Small Business Investment Act of 1958 if it finds, having regard to the purposes of that act, that the enforcement of this act with respect to such securities is not necessary in the public interest and for the protection of investors."

(b) Section 304 of the Trust Indenture Act of 1939 (15 U. S. C. 77ddd) is hereby amended by adding the following subsection (e):

"(e) The Commission may from time to time by its rules and regulations, and subject to such terms and conditions as may be prescribed herein, add to the securities exempted as provided in this section any class of securities issued by a small-business investment company under the Small Business Investment Act of 1958 if it finds, having regard to the purposes of that act, that the enforcement of this act with respect to such securities is not necessary in the public interest and for the protection of investors."

(c) Section 18 of the Investment Company Act of 1940 (15 U. S. C. 80a) is amended by adding at the end thereof the following:

"(k) The provisions of subparagraphs (A) and (B) of paragraph (1) of subsection (a) of this section shall not apply to investment companies operating under the Small Business Investment Act of 1958."

Miscellaneous

SEC. 308. (a) Wherever practicable the operations of a small-business investment company, including the generations of business, may be undertaken in cooperation with banks or other financial institutions, and any servicing or initial investigation required for loans or acquisitions of securities by the company under the provisions of this act may be handled through such banks or other financial institutions on a fee basis. Any small-business investment company may receive fees for services rendered to banks or other financial institutions.

(b) Each small-business investment company may make use, wherever practicable, of the advisory services of the Federal Reserve System and of the Department of Commerce which are available for and useful to industrial and commercial businesses, and may provide consulting and advisory services on a fee basis and have on its staff persons competent to provide such services. Any Federal Reserve bank is authorized to act as a depository or fiscal agent for any company organized under this act. Such companies may invest funds not reasonably needed for their current operations in direct obligations of, or obligations guaranteed as to principal and interest by, the United States.

(c) The Administration is authorized to prescribe regulations governing the operations of small-business investment companies, and to carry out the provisions of this act, in accordance with the purposes of this act. Each small-business investment company shall be subject to examinations made by direction of the Administration by examiners selected or approved by the Administration, and the cost of such examinations, including the compensation of the examiners, may in the discretion of the Administration be assessed against the company examined and when so assessed shall be paid by such company. Every such company shall make such reports to the Admin-

istration at such times and in such form as the Administration may require; except that the Administration is authorized to exempt from making such reports any such company which is registered under the Investment Company Act of 1940 to the extent necessary to avoid duplication in reporting requirements.

(d) Should any small business investment company violate or fail to comply with any of the provisions of this act or of regulations prescribed hereunder, all of its rights, privileges, and franchises derived therefrom may thereby be forfeited. Before any such company shall be declared dissolved, or its rights, privileges, and franchises forfeited, any noncompliance with or violation of this act shall be determined and adjudged by a court of the United States of competent jurisdiction in a suit brought for that purpose in the district, Territory, or other place subject to the jurisdiction of the United States, in which the principal office of such company is located. Any such suit shall be brought by the United States at the instance of the Administration or the Attorney General.

(e) Whenever in the judgment of the Administration any person has engaged or is about to engage in any acts or practices which constitute or will constitute a violation of any provision of this act or of any regulation thereunder, the Administration may make application to the proper district court of the United States, or a United States court of any Territory or other place subject to the jurisdiction of the United States, for an order enjoining such acts or practices, or for an order enforcing compliance with such provision, or regulation, and such courts shall have jurisdiction of such actions and, upon a showing by the Administration that such person has engaged or is about to engage in any such acts or practices, a permanent or temporary injunction, restraining order, or other order, shall be granted without bond.

(f) Any small business investment company may at any time within the 2 years next previous to the date of the expiration of its corporate existence, by a vote of the shareholders owning two-thirds of its stock, apply to the Administration for approval to extend the period of its corporate existence for a term of not more than 30 years, and upon approval of the Administration, as provided in section 301 hereof, such company shall have its corporate existence extended for such approved period unless sooner dissolved by the act of the shareholders owning two-thirds of its stock, or by an act of Congress, or unless its franchise becomes forfeited as herein provided.

(g) Nothing in this act or in any other provision of law shall be deemed to impose any liability on the United States with respect to any obligations entered into, or stocks issued, or commitments made, by any company organized under this act.

Approving State chartered companies for operations under this act

SEC. 309. Any investment company chartered under the laws of any State expressly for the purpose of operating under this act may with the approval of the Administration be permitted to operate under the provisions of this act. Upon such approval, which shall be given with due regard to the factors specified in section 301 (c) with respect to organization of small business investment companies, such State investment company shall have the same powers and privileges and shall be subject to the same duties, liabilities, and regulations, in all respects, as are prescribed by this act for companies organized under section 301 as small business investment companies.

TITLE IV—CONVERSION OF STATE CHARTERED INVESTMENT COMPANIES AND STATE DEVELOPMENT COMPANIES

SEC. 401. (a) Prior to July 1, 1961, any investment company or any State development company may, by the vote of the shareholders owning not less than 51 percent of the capital stock of such company, with the approval of the Administration, be converted into a small business investment company under this act; except that nothing contained herein shall be construed to supersede the laws of any State.

(b) In such case the articles of association and organization certificate may be executed by a majority of the directors of the corporation, and the certificate shall declare that the owners of 51 percent of the capital stock have authorized the directors to make such certificate and to change or convert the corporation into a small business investment company. A majority of the directors, after executing the articles of association and the organization certificate, shall have power to execute all other papers and to do whatever may be required to make its organization perfect and complete as a small business investment company. The shares of any such company may continue to be for the same amount each as they were before the conversion, and the directors, regardless of number, may continue to be directors of the corporation until the election of the board of directors is held in accordance with regulations of the Administration.

(c) When the Administration has given to such company a certificate that the provisions of this act have been complied with, such company shall have the same powers and privileges and shall be subject to the same duties, liabilities, and regulations, in all respects, as are prescribed by this act for companies originally organized as small business investment companies.

TITLE V—LOANS TO STATE AND LOCAL DEVELOPMENT COMPANIES

SEC. 501. (a) The Administration is authorized to make loans to State and local development companies to assist in carrying out the purposes of this act; except that no such loan shall be made to any local development company after June 30, 1961. Any funds advanced under this subsection shall be in exchange for obligations of the development company which bear interest at such rate, and contain such other terms, as the Administration may fix, and funds may be so advanced without regard to the use and investment by the development company of funds secured by it from other sources.

(b) The total amount of obligations purchased and outstanding at any one time by the Administration under this section from any one State or local development company shall not exceed the total amount borrowed by it from all other sources.

SEC. 502. The Administration may, in addition to its authority under section 501, make loans for plant construction, conversion, or expansion, including the acquisition of land, to State and local development companies, and such loans may be made or effected either directly or in cooperation with banks or other lending institutions through agreements to participate on an immediate or deferred basis: *Provided, however,* That the foregoing powers shall be subject to the following restrictions and limitations:

(1) All loans made shall be so secured as reasonably to assure repayment. In agreements to participate in loans on a deferred basis under this subsection, such participation by the Administration shall not be in excess of 90 percent of the balance of the loan outstanding at the time of disbursement.

(2) The proceeds of any such loan shall be used solely by such borrower to assist an identifiable small-business concern and for

a sound business purpose approved by the Administration.

(3) Loans made by the Administration under this section shall be limited to \$250,000 for each such identifiable small-business concern.

(4) Any development company assisted under this section must meet criteria established by the Administration, including the extent of participation to be required or amount of paid-in capital to be used in each instance as is determined to be reasonable by the Administration.

(5) No loans, including extensions or renewals thereof, shall be made by the Administration for a period or periods exceeding 10 years plus such additional period as is estimated may be required to complete construction, conversion, or expansion, but the Administration may extend the maturity of or renew any loan made pursuant to this section beyond the period stated for additional periods, not to exceed 10 years, if such extension or renewal will aid in the orderly liquidation of such loan. Any such loan shall bear interest at a rate fixed by the Administration.

(6) No loan shall be made under this section to any local development company after June 30, 1961.

TITLE VI—CHANGES IN FEDERAL RESERVE AUTHORITY

Repeal of section 13b of the Federal Reserve Act

Sec. 601. Effective 1 year after the date of enactment of this act, section 13b of the Federal Reserve Act (12 U. S. C. 352a) is hereby repealed; but such repeal shall not affect the power of any Federal Reserve bank to carry out, or protect its interest under, any agreement theretofore made or transaction entered into in carrying on operations under that section.

Fund for management counseling

Sec. 602. (a) Within 60 days after the enactment of this act, each Federal Reserve bank shall pay to the United States the aggregate amount which the Secretary of the Treasury has heretofore paid to such bank under the provisions of section 13b of the Federal Reserve Act; and such payment shall constitute a full discharge of any obligation or liability of the Federal Reserve bank to the United States or to the Secretary of the Treasury arising out of subsection (e) of said section 13b or out of any agreement thereunder.

(b) The amounts repaid to the United States pursuant to subsection (a) of this section shall be covered into a special fund in the Treasury which shall be available for grants under section 207 (c) of the Small Business Act of 1953. Any remaining balance of funds set aside in the Treasury for payments under section 13b of the Federal Reserve Act shall be covered into the Treasury as miscellaneous receipts.

(c) Section 207 of the Small Business Act of 1953 is amended by adding at the end thereof a new subsection as follows:

"(c) The Administration also is empowered to make grants to any State government, or any agency thereof, State chartered development credit or finance corporations, land-grant colleges and universities, and colleges and schools of business, engineering, commerce, or agricultural studies, research, and counseling concerning the managing, financing, and operation of small-business enterprises and technical and statistical information necessary thereto in order to carry out the purposes of subsection (b) (4) of this section by coordinating such information with existing information facilities within the State and by making such information available to State and local agencies. Only 1 such grant shall be made within any 1 State in any 1 year, and no such grant shall exceed an aggregate amount of \$40,000. Such grants shall be

made from the fund established in the Treasury by section 602 (b) of the Small Business Investment Act of 1958."

TITLE VII—CRIMINAL PENALTIES

Sec. 701. (a) The first paragraph of section 217 of title 18, United States Code, is amended by inserting after "farm credit examiner," the following: "or of any small business investment company."

(b) Section 218 of such title is amended by inserting after "National Agricultural Credit Corporations," the following: "or an examiner of small business investment companies."

Sec. 702. (a) The first paragraph of section 221 of title 18, United States Code, is amended by inserting after "United States," the following: "or a small business investment company."

(b) The second paragraph of such section 221 is amended by inserting after "Congress," the following: "or any small business investment company."

(c) The heading of such section 221 is amended by striking out "farm loan or land bank" and inserting in lieu thereof "farm loan, land bank, or small business."

(d) The table of sections for chapter 11 of such title 18 is amended by striking out "farm loan or land bank" in the reference to section 221 and inserting in lieu thereof "farm loan, land bank, or small business."

Sec. 703. Section 657 of title 18, United States Code, is amended by inserting after "Federal Savings and Loan Insurance Corporation," the following: "or any small business investment company."

Sec. 704. Section 1006 of title 18, United States Code, is amended by inserting after "Federal Savings and Loan Insurance Corporation," the following: "or any small business investment company."

Sec. 705. Section 1014 of title 18, United States Code, is amended by inserting after "a Federal Reserve bank," the following: "or of a small business investment company."

Mr. SPENCE (interrupting the reading of the bill). Mr. Chairman, I ask unanimous consent that the bill be considered as read and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

The CHAIRMAN. The Clerk will report the committee amendments.

The Clerk read as follows:

Page 1, lines 3 and 4, strike out "purpose" and insert "policy."

The committee amendment was agreed to.

The Clerk read as follows:

Page 2, strike out the table of contents and insert the following:

"TABLE OF CONTENTS

"Title I—Short title, statement of policy, and definitions

"Sec. 101. Short title.

"Sec. 102. Statement of policy.

"Sec. 103. Definitions.

"Title II—Small Business Investment Division of the Small Business Administration

"Sec. 201. Establishment of Small Business Investment Division.

"Sec. 202. Provision and purposes of funds.

"Title III—Small business investment companies

"Sec. 301. Organization of small business investment companies.

"Sec. 302. Capital stock and subordinated debentures.

"Sec. 303. Borrowing power.

"Sec. 304. Provision of equity capital for small-business concerns.

"Sec. 305. Long-term loans to small-business concerns.

"Sec. 306. Aggregate limitations.

"Sec. 307. Exemptions.

"Sec. 308. Miscellaneous.

"Sec. 309. Approving State-chartered companies for operations under this act.

"Title IV—Conversion of State-chartered investment companies and State development companies

"Title V—Loans to State and local development companies

"Title VI—Changes in Federal Reserve Authority

"Sec. 601. Repeal of section 13b of the Federal Reserve Act.

"Sec. 602. Transfer of funds.

"Title VII—Criminal penalties"

The committee amendment was agreed to.

The Clerk read as follows:

Page 4, line 18, strike out "(a)."

The committee amendment was agreed to.

The Clerk read as follows:

Page 4, strike out lines 23 and 24 and insert the following: "(3) the terms 'small-business investment company' and 'company' mean a small-business investment company organized as provided in title III, including a State investment company which has obtained the approval of the Administrator to operate under the provisions of this act as provided in section 309 and a company converted into a small-business investment company under section 401 of this act."

Mr. HALLECK. Mr. Chairman, I offer a substitute for the committee amendment.

The Clerk read as follows:

Amendment offered by Mr. HALLECK as a substitute for the committee amendment: On pages 4 and 5 delete subsection 103 (3) and insert in lieu thereof the following:

"(3) the terms 'small-business investment companies,' 'company,' 'small-business investment company,' and 'company organized under this act,' mean a small-business investment company or companies chartered under State laws for the purpose of operating under this act and authorized by the administration as provided in title III to operate under this act;"

Mr. HALLECK. Mr. Chairman, this is the amendment to which I have referred in previous statements principally in general debate on the bill.

Now, in simple terms here is the situation before us. The bill provides for Federal chartering by the Small Business Administration of small-business investment companies. There have been some suggestions made here trying to explain why that provision is in this bill by citing certain other situations, such as the chartering of national banks, as a precedent for this action.

To my mind, those arguments should not prevail. I do not think they are effective. But, be that as it may, the committee itself in its report undertook to justify the inclusion of this provision for Federal chartering for a period of 3 years on the presumption—and I say it is nothing more than a presumption—that State statutes now in existence are inadequate.

I read the resolution and the memorandum of the American Bar Association; the resolution adopted by the board

of governors making the action the official action of that organization, stating that they had caused to be made through the American Bar Foundation a careful study of State statutes and they found that in every instance in the 48 States and in the Territories covered by this act these corporations can be organized in the States under existing law. Now, I have asked the committee to name the single first State whose statute is inadequate.

That single first State has not yet been named.

I called the secretary of state of my State and he said, "Why, we have got ample authority and, what is more, we have the personnel on the job. We have the experience, the know-how. We can charter these profit corporations. You do not have to take that chartering down to Washington. Leave it back here in Indiana where we are prepared to take care of it."

Why should we ship this function to Washington where, without any question, as has been developed, you would have to put more personnel in the Small Business Administration to process these applications for incorporation? And if you were to incorporate them and properly process them then certainly you ought to make provision for the supervision of the operations of these corporations. The question is, Do you want to move that to Washington, or do you want to leave it in the States where there are ample facilities and there is ample authority to take care of the whole business?

The gentleman from Texas [Mr. PATMAN] sought to argue something here that I must say was slightly obscure to me, about how I was trying to set up some sort of a toll gate for the lawyers. I do not need to set up any toll gate for the lawyers. I take it, whether it is an Indiana lawyer or a Texas lawyer or a Washington, D. C., lawyer, you would have to get some lawyer to set up your articles of incorporation. If the gentleman wants to argue on that basis—and I say that it is not much of a basis to argue on—then those of us who are lawyers know that if a group in Indiana or in Texas or any other State wants to incorporate down here in Washington, you get your local lawyers and then you have got to come down here and get some Washington lawyers. And I have understood that Washington lawyers come pretty high. So I would not be surprised, if you want to protect the small-business man who is finally going to get one of these loans, if you want to keep down the overhead, let the incorporation be done in the States where the country lawyers will have a chance at some of the business.

After all, Mr. Chairman, as I said earlier, we talk about the preservation of the rights of the States, and we all protest that that is what we want to do. Then why go into a procedure that departs from the traditional constitutional practices of our Government from the first day of its beginning? Certainly here is one place where we can say, "Now, wait just a minute; there is ample authority in the States at the present time to take care of this." No one has

established here that they cannot, and as long as that is the situation why resort to Federal charters?

Mr. SPENCE. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, the gentleman's amendment is based upon a presumption that we should not invade the States for these purposes: I am ardently in favor of States rights and have supported every measure I thought had that objective. But it seems to me that if we want control over these agencies we can get more effective control at the start by organizing them under the laws of the United States. It may take a long time to organize these investment companies under the laws of the States. But expeditious organization may be provided under the supervision of the Small Business Administration here.

I do not think that this could be called an invasion of States rights. The Government is taking no right away from the States. It is furnishing funds to the people of the States to the interest of the States. This is a pilot bill. It is experimental. It has not been tried before. It has every opportunity, it seems to me, to become a great institution for the benefit of the people who need it most. But certainly you cannot say we are invading States rights when the Federal Government is going into the States to help people, not to impose restrictions upon them, not to take away their rights, but to attempt to help them in their hours of distress.

Mr. Chairman, I hope the amendment will be defeated.

Mr. BOW. Mr. Chairman, I move to strike out the last word, and ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. HALLECK. Mr. Chairman, will the gentleman yield so that I may make the very brief statement I did not have time to conclude when I had the floor a few moments ago?

Mr. BOW. I yield to the gentleman from Indiana.

Mr. HALLECK. May I point out, since several suggestions have been made to me that it may possibly develop, although I cannot see why it should in view of my information, that some State statutes would be inadequate, that there should be some saving language to meet that situation. All I should like to suggest at this point is that, since the language providing for Federal charters is in the Senate bill, if my amendment prevails the matter goes to conference, and in conference it could then be determined after careful study. It could be worked out in connection with the conference report so that we would not do violence to States rights and certainly would not be shutting off any opportunities to small business.

Mr. BOW. I certainly agree with the gentleman.

I am glad the gentleman from Indiana has raised this question and offered his amendment because I am interested in this from the standpoint that I am a member of the subcommittee that han-

dles appropriations for the Department of Commerce and also the Small Business Administration. I have been with those Members handling appropriations for some time. It has been our effort to keep the cost of administration down so that funds would be available to help small business.

It seems to me the question the gentleman from Indiana has raised here touches on three things we have been considering in this Congress for some time: First, the question of overlapping of facilities; second, the question of economy; and third, the question of States rights. I believe the gentleman's amendment reaches each one of these objectives.

If we have within the various States agencies now set up to do this job of incorporating these companies, then I can see no reason why we should appropriate funds to set up a new agency, a new Secretary of State within the Small Business Administration, to issue these charters. If we issue the charters there, then we are going to set up further bureaus and have further Federal employment to go out and police these corporations. I think that would be unnecessary. As a member of the Committee on Appropriations, I hope we will not have to do that.

There is the question of economy, too, of cutting down the cost of government. Let us cut the cost of government in Washington, particularly in those areas where the States are able to carry on, because if we reduce the cost of government in Washington then the day will eventually come when, in addition to giving this type of service, we will be able to give relief in the form of tax reduction. We cannot do it if we are continually raising the cost of government here in Washington. We have agencies in the States able to carry on. Why must we now say, "Bring it to Washington"?

Then there is the question of States rights. I have been for States rights, I will say to the distinguished gentleman from Kentucky, since I have been a Member of Congress, and I shall continue to be. Wherever the States can do these things they should be given the opportunity to do them. The gentleman has said we should bring this work down here so it can be done expeditiously. I do not know of a single function handled by the States that is performed more expeditiously when you bring it to Washington. It seems to me that when we bring these things to Washington we slow down the procedure, we increase ad infinitum the redtape that must be gone through. Give a Washington bureau the opportunity and they will block it for you. In the States it would be a very simple matter.

Mr. VORYS. Mr. Chairman, will the gentleman yield?

Mr. BOW. I yield.

Mr. VORYS. It seems to me that the matter of policing by, for instance, the local courts, not merely as to the corporate reports but for instance as to legislation, would not these federally incorporated corporations always be able to claim diversity of citizenship?

Mr. BOW. Certainly. They would be in the Federal courts and then we

would have to have more Federal judges and the whole thing, as I look at it, is just a new snowballing of Federal activities. We really now have the right within the State to do the job. Let us keep it there and let us keep down the size of the job.

The CHAIRMAN. The time of the gentleman has expired.

Mr. PATMAN. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, the distinguished gentleman from Indiana has suggested that a District of Columbia lawyer would have to be employed. The Small Business Administration, under Mr. Wendell B. Barnes, has successfully decentralized a large part of its operations. Of course, that is the way it should be. There is no reason why small-business people should have to come to Washington on a matter of this kind.

Now, the amendment being offered is new. After we have spent weeks and months on this legislation, and after we have considered every word that is in the bill, some Member brings an amendment up on the floor of the House that we have not had a chance to study. We have not even considered this. We do not know what effect it will have on the rest of the bill. A Member presents and urges the adoption of a completely new amendment. I do not think that is fair to the committee. I think it should have been submitted to the committee and, if not submitted to the committee, then a copy of it should have been given to the majority Members, and to all Members, so that they could study it and know what they are voting on. I do not know who drew the amendment, but the language of this amendment is devastating. It will be devastating to New England. It will be devastating to New York. It will be devastating to North Carolina.

The few States that have adequate State development companies are now out in front. I congratulate them. I commend them. They have been working on this matter for years. They know what the score is. They have more to gain as of this moment by the passage of this bill than all the other States. They are way ahead of the other States in this field. They know what this legislation is and they know what it means. If this amendment is passed you jeopardize the existence of every one of these fine State development corporations. I do not believe you want to do that. Yet this is just a fair sample of what happens when you try to legislate on such an important matter here on the floor of the House, without giving these matters proper consideration before the committee that is holding hearings on the legislation. This would be a dangerous thing.

Section 3 of the bill, providing the definitions, is very carefully drawn. It is several lines long. It goes from line 25 on page 4 to line 7 on page 5. It refers to several sections of the bill, and it is very carefully drawn so as to protect the State development companies. It reconciles and coordinates every one of the sections of this bill. The gentleman from Indiana comes in and proposes to

throw in the wastebasket everything that we did in that regard. Just throw it away and tear it up. Throw it out the window. Yet the gentleman did not have the benefit of the testimony of the witnesses, and I doubt if he has even read the hearings. One Member said, mistakenly, that there were no hearings on the bill. We had hearings for weeks on the bill. We could not be sure what we would be doing by adopting this amendment. But I know enough about it to know that it would be devastating to those States, 7 of them, 5 in New England and New York and North Carolina that now have State development corporations that can very quickly lend themselves to the provisions of this act and could operate on it quickly.

Mr. MEADER. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield.

Mr. MEADER. I ask the gentleman if development companies are not dealt with in another section and are not touched by the gentleman's amendment.

Mr. PATMAN. No; they are touched.

Mr. MEADER. Paragraph (6) at the bottom of page 5 refers to development companies. The gentleman's amendment relate only to small-business investment companies.

Mr. PATMAN. Now, I am a member of the committee. I have worked on this for months. Every member of this committee has worked on it for months, and we know what all these sections mean. When we referred to 309, and that has not even been mentioned in the gentleman's amendment, we knew exactly why we put 309 in the bill. When we put section 401 in this act we knew why it was put in there. The gentleman's amendment does not even mention it.

Mr. HALLECK. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield.

Mr. HALLECK. These development companies to which the gentleman refers have been organized under State laws, and they will continue to operate as they have in the past. Second, if my amendment is adopted, I have an amendment to subsequent sections of the bill that would bring the rest of the bill in line with what I have been arguing for.

Mr. PATMAN. Anyway, this is a very dangerous way to legislate. I have heard the gentleman make some mighty fine speeches about how dangerous it is to draft legislation on the floor of the House. I can hear him now objecting to drafting legislation the committee has not had an opportunity to study and consider. I can hear him now screaming out how dangerous it is to legislate on the floor. The committee has worked on this legislation for weeks and months. I hope this amendment is defeated.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. SHEEHAN. Mr. Chairman, I rise in support of the amendment offered by the gentleman from Indiana [Mr. HALLECK].

In spite of the remarks of the gentleman from Texas [Mr. PATMAN], the gentleman from Indiana [Mr. HALLECK] served for a long number of years as a member of the Small Business Commit-

tee and should know enough about small business so that we cannot question his knowledge and his desire to help small business.

The gentleman from Kentucky [Mr. SPENCE] in his remarks said that we, meaning the chairman, himself, and his members want control over these investment companies. To my way of thinking, that is the last thing we want—Federal control over the investment companies.

Mr. COAD. Mr. Chairman, will the gentleman yield?

Mr. SHEEHAN. As soon as I finish, please.

Certainly the statement of the gentleman from Indiana [Mr. HALLECK] to the effect that he thinks it desirable that the control, if we must use the word, lies with the local people, and it is to my way of thinking the best possible answer that whatever control which is implied remains with the local people. As one Member who in my 8 years in Congress consistently supported States rights legislation, I think this is basic States rights legislation. As the gentleman from Indiana [Mr. HALLECK] has well said, if there is a question in the minds of the Members that some States might be deprived of benefits under this law because they are not able to qualify, the gentleman from Indiana certainly stated it well when he said in conference the bill can be fixed up so that those few States could be properly taken care of and would not be deprived of their rights.

It seems to me, from my own experience in the business world, that a businessman is much better off dealing with his local people than he is in dealing with people in Washington. I have had occasion, and I know many other Members have had occasion, when small-business men in their communities were not able to get proper cooperation from the local offices of the Small Business Administration, they had to come here to Washington and we as Members have had to help them get a proper audience so that their problems could be put before the proper official in Washington. The program of the gentleman from Indiana [Mr. HALLECK] and the gentleman who heads the Small Business Administration, Mr. Wendell Barnes, in getting this whole program down to the local level where it belongs.

Mr. COAD. Mr. Chairman, will the gentleman yield?

Mr. SHEEHAN. I yield.

Mr. COAD. Is not the gentleman confusing the fact of the issuance of charters with the regulation of the actual procedure of lending the money? You are talking about two different things; I think you have grouped them into one. On the one hand we have the actual chartering of the investment companies; and that, of course, under the provisions of this bill is under the direction and actual supervision of the SBA; they have to come up to certain standards.

Secondly, you are also including here the actual policing of the operation of lending the money. They should not be grouped together, in my opinion.

Mr. SHEEHAN. As I understand the gentleman from Indiana, in his explana-

tion of the situation he wants to make sure that all of these programs possible start at the local level and be kept at the local level, which means the lending of the money as well as the incorporation of the investment company.

Mr. COAD. Should not standards be set up?

Mr. SHEEHAN. Certainly standards should be set up, but the control should be at the local level.

I yield to the gentleman from Indiana.

Mr. HALLECK. Of course, the fact remains that the provision inserted by the committee is a 3-year provision. It contemplates that after 3 years presumably the States that are deficient can perfect their statutes and bring them in line; then the whole thing will operate not on Federal charters, but at the State level.

The point I want to make again is this: Certainly before the money is advanced certain regulations of the SBA would have to be complied with. But we all know that when corporations are chartered the State exercises a degree of control through State regulation of those corporations. Certainly they cannot regulate these federally incorporated organizations such as we are going to have here and certainly it would take an army of agents if the Federal Government is going to supervise this program, checking the operations of these companies.

Mr. SHEEHAN. I agree with the gentleman from Indiana, and I hope his amendment carries.

Mr. MULTER. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, the point the distinguished gentleman from Iowa tried to make was a very sound one. Much confusion has been injected into the debate because of failure to discriminate between the two things that are being done in this bill.

First we set up the small-business investment companies.

Second, the small-business investment companies will make loans or make the investment of the risk capital in small-business concerns.

These are two distinct features and functions.

The gentleman from Indiana tells us that the differences can be ironed out in conference if his amendment is agreed to. I, for one, believe it is our duty to write legislation in the Chambers of the Congress and not in conference.

Conferees do important work in adjusting differences. It is our duty, however, to determine the principles.

Nothing in this bill preempts to the Federal Government the right to organize these companies. On the contrary, it puts both on an equal footing.

Under the bill, as reported by our committee, the State corporations, if such corporations can be organized, will be able to function side by side with the national corporations which receive a charter from the SBA.

To be sure that we do not invade States rights we say in this bill in so many words, and I refer you to the lan-

guage on page 24, lines 1 and 2 of section 401, which read:

Nothing contained herein shall be construed to supersede the laws of any State.

There is not any doubt, the way this bill is set up, you will have your State corporations if the State law permits it, and you will have your national corporations if they can qualify.

But whether they be State or National they will have to comply with the rules and regulations as laid down by SBA under the authority of this bill. State and national corporations both will have to qualify and must come to Washington to get the Federal loans that are provided for by this bill, if they want such money. If we are not going to make the funds available to the small-business concerns in this manner, we do not need this bill. I suggest that this amendment should be defeated, that the bill is properly written to protect the States, State laws, and State lawyers. If the amendment is defeated the intent of the bill, which is very clear, can be carried out in accordance with the very specific language of the bill.

Mr. HOSMER. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield to the gentleman from California.

Mr. HOSMER. The gentleman speaks of State and Federal corporations standing side by side in this field. I am wondering what the advantage is of having Federal corporations if there does in fact exist in a State the proper statutory situation for a State corporation to handle this?

Mr. MULTER. I do not concede that there is proper State statutory provisions in all States. This bill continues the dual banking system, and this is a banking function. Despite what the distinguished gentleman from Indiana has said, and I do not try to dispute what his State law may provide, there are many States, the gentleman from Texas named some of them, where you will not be able to qualify under State law as it exists today in order to get the benefits of this statute. It would be unfair to go on for 2 or 3 years in those States, having no means of qualifying in order to get this help until their State legislatures had acted. While this bill has a 3-year limitation on national charters, no one today has a right to say what the Congress will do 3 years hence. If this program works out we may continue the dual chartering. If it does not, we may let that function expire or we may amend it to make it more effective.

Mr. HOSMER. I will say to the gentleman I have not yet been convinced what the advantage is of the duality. When life is as complicated as it is for the businessman and his lawyer, it seems to me that we ought to encourage the elimination of complications.

Mr. MULTER. There is nothing complicated about this. If the dual system of banking is good for the credit unions and for the savings and loan associations and for the commercial banks, it is good for this important banking function, which provides for investments in small-business companies.

Mr. PATMAN. The gentleman agrees, I am sure, that there is more involved than just the charter. This is a national credit policy that a State cannot effectively administer and enforce. It is a national policy. For that reason this bill should go through as it is proposed so that the States and the Federal Government can cooperate together, as he suggested with reference to credit unions, savings and loans associations, national savings and trust institutions and so forth.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. JONAS. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I take this time to ask the gentleman from Texas [Mr. PATMAN] a question. I heard the gentleman mention the State of North Carolina. I do not understand why he said this amendment would affect the situation that obtains in North Carolina where we have a development company now in existence.

Mr. PATMAN. I have a list of them. There are only seven in the United States.

Mr. JONAS. That is not the question.

Mr. PATMAN. I am getting down to that. Five of them are in New England, New York, and North Carolina. The way the amendment is written I am apprehensive that the language being used "expressly authorized or provided under this act" will only apply to subsequent charters and not to existing charters. We were very careful in the writing of this language to make sure it refers to the different parts of the bill, to make sure that these State development corporations were taken care of because they have pioneered this field.

Mr. JONAS. Tell me how the amendment proposed by the gentleman from Indiana could possibly affect the North Carolina development corporation, because it is already in existence.

Mr. PATMAN. Any amendment you do not know anything about, you have to analyze and be careful.

Mr. JONAS. His amendment would encompass all State corporations?

Mr. PATMAN. You will see in the amendment that they must be organized expressly under this act.

Therefore, that jeopardizes existing corporate laws.

Mr. HALLECK. I am almost led to believe that it might be well to have a little more consideration of this bill. Actually there are other provisions in the bill that provide for the benefits of this legislation to go to existing corporations. What the gentleman from Texas refers to are existing operations, and they would not in any way be affected by this amendment. To say that he is apprehensive or to say that we do not know about it certainly is no proof of the statement he makes. As a matter of fact, again I say that the listing of those three States is not the listing of a single State that at the present time could not have corporations formed to take advantage of this act, and no one has been able to answer that.

Mr. JONAS. Mr. Chairman, frankly I would like to have the amendment read again.

Mr. PATMAN. I have it here. I can read it.

Mr. JONAS. Because we do have a development corporation in my State, and I certainly would not want to participate in any amendment that would affect it adversely.

Mr. PATMAN. This amendment reads:

The terms "small-business investment companies," "company," "small-business investment company" and "company organized under this act" mean a small-business investment company or companies chartered under State laws for the purpose of operating under this act and authorized by the administration, as provided in title III, to operate under this act.

It does not have the safeguarding language that our amendment has that was written by the committee after careful and deliberate consideration over 2 weeks of time.

Mr. JONAS. There is no safeguarding of corporations authorized under Federal law now.

Mr. PATMAN. This says "organized under this act."

Mr. HALLECK. Mr. Chairman, will the gentleman yield further?

Mr. JONAS. I yield.

Mr. HALLECK. I am quite sure that articulate and persuasive as is the gentleman from Texas, he is not going to confuse this issue quite as much as he thinks he is. Actually, the language of my amendment follows the precedent of the committee language except it provides for State charters for these corporations instead of Federal charters. That is all in the world it does. Again I say that the committee itself must have recognized the validity of State charters, because they say that after 3 years we will have it all State charters and you will not have Federal charters. If that is true, why have Federal charters at this time?

Mr. SEELY-BROWN. Mr. Chairman, will the gentleman yield?

Mr. JONAS. I yield to the gentleman from Connecticut.

Mr. SEELY-BROWN. It is my understanding, in answer to the question the gentleman has raised, on page 25 of the bill, title V provides for loans to State and local development companies, and that is completely different than the question we have been arguing here regarding the chartering of small-business investment companies. In other words, as I understand the situation in North Carolina, you are concerned, as I am in Connecticut, where we have loan development credit corporations. Those corporations are taken care of under title V, as I understand it. Is that not correct, may I ask the gentleman from Texas?

Mr. PATMAN. Yes, but the preamble to title V is over in the definitions that the gentleman from Indiana seeks to strike out.

Mr. JONAS. As I understand the gentleman's amendment, it does not touch the provision on line 19, page 5, does it?

Mr. HALLECK. Of course not. It does not interfere with the definition. This is merely substitute language for the committee amendment.

Mr. HOLIFIELD. Mr. Chairman, I move to strike out the last word.

Well, now, I am concerned about the language of the substitute offered by the gentleman from Indiana. I have it here in my hand, and I am going to read it again, because I think the gentleman from North Carolina should be very careful today how he votes on this particular amendment, and I will be careful, because we have some investment companies in my State. Here is the language:

The terms "small-business investment companies," "company," "small-business investment company" and "company organized under this act" mean a small-business investment company or companies chartered under State laws for the purpose of operating under this act and authorized by the administration, as provided in title III, to operate under this act.

Now, was your company in North Carolina organized for the purpose of operating under this act?

Mr. JONAS. Not under this act, but that amendment does not go to the rest of the section beginning on line 19. That is a different definition.

Mr. HOLIFIELD. It would mean nothing to any company that is organized in his State, because it says "chartered under State laws for the purpose of operating under this act," and therefore it looks to the future and not to the past.

Mr. HALLECK. Mr. Chairman, will the gentleman yield?

Mr. HOLIFIELD. I am glad to yield, because I am confused on this myself.

Mr. HALLECK. Well, I am not a bit confused. It is obvious that the definition that the committee seeks to put in the bill, the definition that I would substitute, contemplates small business investment companies to be organized here to take advantage of this act.

Mr. HOLIFIELD. What about those that are already organized?

Mr. HALLECK. There are others already organized, and the bill in specific terms, which terms could not be changed by any definition as a straight matter of legal interpretation and legislative effort—those other provisions clearly point to the fact that existing development companies are permitted to take advantage of the provisions of this act.

Mr. SEELY-BROWN. Mr. Chairman, will the gentleman yield?

Mr. HOLIFIELD. I yield to the gentleman from Connecticut.

Mr. SEELY-BROWN. Mr. Chairman, I think the real answer to the gentleman's question will be found on page 25 of the bill—title V—Loans to State and Local Development Companies.

As I understand this legislation we are referring there to the ability of the administration to make loans to the State development companies that are already in existence, such as the one in North Carolina, such as the one in my State, to carry forward the purpose of the act. And we spell out that language in section 501. As I understand it, the amendment offered by the gentleman from Indiana [Mr. HALLECK] does not apply to a local development company. It applies only to a small business investment company, which is different.

Mr. HOLIFIELD. Will not the gentleman agree with me that under section 309 any of these investment companies chartered under the law of a State expressly for the purpose of operating under this act may be permitted; and in section 401 any State development company may by a vote of 51 percent of the shareholders change over into this type of organization. But until that changeover, is it not true that they are not allowed to participate?

Mr. SEELY-BROWN. No, because under the terms of this bill—and the gentleman will correct me if I am wrong—the State development corporation may borrow money and still remain a State development corporation. It does not have to become a small business investment company in order to borrow money. It may borrow money directly and maintain its original entity; is not that correct?

Mr. MULTER. If the gentleman will yield to me, I think that is correct.

Mr. SEELY-BROWN. That is certainly my understanding.

Mr. MULTER. If the gentleman will yield further, I think we ought not to confuse the loans to development corporations with the loans to small business investment companies.

Mr. SEELY-BROWN. That is right.

Mr. MULTER. The gentleman from Connecticut [Mr. SEELY-BROWN] is quite right. In those States where there are development companies, they are ready to go in, if this act is passed, and ask the Small Business Administration to lend them some money. The difficulty is that without the provision for national charters, they will be put in a favored or a preferential position as against these small business investment companies. There are many State law restrictions now in existence that can be immediately overcome by the provisions in this bill so that all these companies State and Federal can operate on an equal footing.

The CHAIRMAN. The time of the gentleman from California [Mr. HOLIFIELD] has expired.

Mr. GRIFFIN. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I want to say that I am going to support the amendment offered by the gentleman from Indiana [Mr. HALLECK]. However, I should like to be certain that a Federal charter would be available in any State where the State laws would not authorize the incorporation of a small-business investment company for the purposes indicated in this bill. In the event that the amendment of the gentleman from Indiana [Mr. HALLECK] would prevail, I believe an amendment should then be made to title III which should read something like this:

In the event that under the laws of any State or States a small-business investment company cannot be chartered so as to qualify for operation under this act, then investment companies formed in such State or States may be chartered under this title.

The CHAIRMAN. The question is on the substitute to the committee amendment offered by the gentleman from Indiana [Mr. HALLECK].

The question was taken; and on a division (demanded by Mr. PATMAN) there were—ayes 105, noes 44.

So the substitute for the committee amendment was agreed to.

The CHAIRMAN. The question is now on the committee amendment as amended by the substitute.

The committee amendment as amended was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 5, line 13, strike out "of 1953."

Mr. PATMAN. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I had intended to offer an amendment to strike out the limitation of 3 years, but in view of the fact we want just as few amendments as possible on this bill, I will not offer the amendment because we can, a year from now or 2 years from now, after we have had experience under this act, move to change it if we desire to do so.

I think this is a good bill. It is intended to help small business in an area where it cannot get accommodations now. The bankers testified before our Committee on Small Business last year to the effect that there is a vacuum in our national financial machinery, so much so that small and independent businesses cannot get equity financing or long-term loans. For the first time in history a bill is brought before Congress with overwhelming proof to that effect. Heretofore the proposition has been questioned; heretofore it has been in doubt. Members would argue that the banks could do this, that there are plenty of facilities now to make the proper long-term loans or equity financing available to small business, but no longer is that argument made. It is undisputed that there is no financial institution in America today that is authorized to do business that will fill the vacuum that this particular bill fills.

I know the bill is weak in some respects. The amount of money itself, \$250 million, is not as strong as we should like it to be. If you divide \$250 million by 3,070 counties you will find it is only \$83,000 per county. It is a very small amount. But this is a right step in the right direction, although a short step.

I think we should have some experience under this bill. I have a feeling it will be sympathetically administered, because the Small Business Administration has become increasingly important and has become better administered every day, I think, that it has been administered.

I will concede that the Small Business Administration did not have precedents to follow in every instance, and it had to plow new ground. It was pioneering in many fields. But I think now it is making fine and rapid progress. I believe the Small Business Administration under Mr. Barnes, administrator, will administer this law sympathetically. I believe that there will be a demand and a need, particularly if this depression continues, for its enlargement in the future to serve more independent businesses. I know the committee and the Congress today

are more conscious of the needs of small business than ever before. Only in recent years have we had small business committees to alert the country to the needs and special problems of small business. But, now we not only have small business committees in the House and in the Senate, but every agency of our Government that has to do with business generally has a small business division. I think that is due to the fact that we started here in the House of Representatives many years ago. The gentleman from Indiana [Mr. HALLECK] had a great deal to do with it. I also worked in that direction. In 1941, we set up the first small business committee, 7 days before Pearl Harbor. The committee was appointed by the Speaker of the House, Honorable Sam Rayburn. That was the first small business committee in the House of Representatives. I feel that great progress has been made and that great progress is being made here in this bill. I hope we do not have many amendments, or at least not major amendments, and that we can get this bill through as quickly as possible, so as to get it upon the statute books and get the organization going.

Mr. HALLECK. Mr. Chairman, I have sent a number of perfecting amendments to the desk and I ask that they be considered en bloc.

The CHAIRMAN. Is it to the pending amendment which is on page 5, line 13, to strike out "of 1953"?

Mr. HALLECK. No; it does not refer specifically to that, Mr. Chairman. It refers to the different sections in the bill, for the purpose of bringing subsequent sections in line with the amendment that has just been adopted.

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 5, insert "and" after the semicolon in line 13; strike out lines 14 through 17; and strike out "(7)" and insert "(6)" in line 18.

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 5, line 18, strike out "State and local."

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 6, line 22, strike out "of 1953."

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 6, line 22, strike out "209 and 210" and insert "13 and 16."

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

10. Page 6, after the period in line 25, add the following new sentence: "Subject to the standards and procedures under section 505 of the Classification Act of 1949, as amended, not to exceed three positions in the Small Business Investment Division of the Administration may be placed in grades 16, 17, and 18 of the general schedule established by that act, and any such positions shall be additional to the number authorized by such section or otherwise."

Mr. DAVIS of Georgia. Mr. Chairman, I make a point of order against the committee amendment and reserve the point of order and move to strike out the last word.

The CHAIRMAN. The gentleman from Georgia is recognized.

Mr. DAVIS of Georgia. Mr. Chairman, this committee amendment would provide for three positions in grades 16, 17 and 18 which are known as super-grade positions. The jurisdiction of this question properly comes under the House Post Office and Civil Service Committee. In the bill, S. 734, the classified civil service employees salary bill, which was just recently passed, there were provided 277 additional super-grade positions to be allocated among the Government agencies by the Civil Service Commission. Also the Post Office and Civil Service Committee of the House, through its Manpower Utilization Subcommittee, held 8 hearings in May and June on the subject of super-grades and invited the various Government agencies to come in and justify their requests for additional super-grade positions. That committee now is in the process of evaluating that testimony for the purpose of introducing legislation for such additional super-grade positions as have been justified. This agency first should apply to the Civil Service Commission for such additional super-grades as it needs, to be allowed from the recently authorized 277 new super-grade positions. The Civil Service Commission advised us today that they have notified all Government agencies to apply for critical needs for super-grade positions and to have their applications in by August 1. That affords relief if it can be granted under that provision. Also, they could justify to the House Post Office and Civil Service Committee these new positions, if they are justifiable, and that committee will give them relief if they justify the request. I have discussed this with the chairman and he is agreeable for the amendment to go out.

Mr. SPENCE. Under the circumstances, we concede the point of order.

Mr. PATMAN. Mr. Chairman, we have got to have something in here to administer this act. We are setting up a separate division in the Small Business Administration. I hope the gentleman will let it go through. It will be in conference, and then we can talk with the Senators; but to strike it out, it goes to the very heart of this bill.

Mr. DAVIS of Georgia. I have discussed it with the chairman and he has agreed that it would go out under the statement I have made.

Mr. PATMAN. But we have to have a separate proposition to properly administer it.

Mr. DAVIS of Georgia. The Civil Service Commission now has 277 new super-grade positions to allocate.

Mr. PATMAN. But it will require this language to administer it.

The CHAIRMAN (Mr. WALTER). The Chair understands the gentleman from Kentucky [Mr. SPENCE] asked unanimous consent that the language contained at the bottom of page 6, line 25, through line 6 on page 7 be stricken from the bill.

Mr. DAVIS of Georgia. That is correct.

Mr. PATMAN. Reserving the right to object, the reason we put that in there is because we hope we are nearing the end of the session. The Senate did not have a similar provision in the bill. We wanted to provide for the administration of this important law. If we strike this out, how will it be administered? We have set up a division, and we must provide for some help.

The CHAIRMAN. The Chair is more interested in knowing what the gentleman's argument is against the point of order.

Mr. PATMAN. The Chairman has agreed to it, so I shall not object.

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky that the amendment be withdrawn?

There was no objection.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 7, line 7, strike out the balance of page 7, page 8, down to and including line 6 on page 9, and insert:

"PROVISION AND PURPOSES OF FUNDS

"Sec. 202. (a) Section 4 (c) of the Small Business Act is amended—

"(1) by striking out '\$650,000,000' each place it appears and inserting in lieu thereof '\$900,000,000';

"(2) by inserting before the period at the end of the fourth sentence the following: ', and in the exercise of the functions of the Administration under the Small Business Investment Act of 1958'; and

"(3) by inserting after the seventh sentence the following new sentence: 'Not to exceed an aggregate of \$250,000,000 shall be outstanding at any one time for the exercise of the functions of the Administration under the Small Business Investment Act of 1958.'

"(b) There are hereby authorized to be appropriated such sums as may be necessary and appropriate for the administrative expenses of the Administration under this act."

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

Mr. SPENCE. Mr. Chairman, I ask unanimous consent that the remaining committee amendments may be considered en bloc.

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

The CHAIRMAN. The Clerk will report the remaining committee amendments.

The Clerk read as follows:

Page 11, line 17, strike out "309 (f)" and insert "308 (f)."

Page 13, strike out line 20 and all that follows down through page 14, line 3, and insert the following:

"(b) Shares of stock in small business investment companies shall be eligible for purchase by national banks, and shall be eligible for purchase by other member banks of the Federal Reserve System and non-member insured banks to the extent permitted under applicable State law; except that in no event shall any such bank hold shares in small business investment companies in an amount aggregating more than 1 percent of its capital and surplus."

Page 16, strike out the semicolon in line 19 and all that follows down through line 22, and insert a period.

Page 17, after the period in line 8, add the following new sentence: "In agreements to participate in loans on a deferred basis under this subsection, the participation by the company shall not be in excess of 90 percent of the balance of the loan outstanding at the time of disbursement."

Page 19, line 11, strike out "80a" and insert "80a-18."

Page 25, in the sentence beginning in line 6, strike out "and local", and strike out the semicolon and all that follows and insert a period.

Page 25, line 19, strike out "or local."

Page 25, after the period in line 21, add the following new sentence: "Funds advanced to a State development company under this section shall be treated on an equal basis with those funds borrowed by such company after the date of the enactment of this act, regardless of source, which have the highest priority, except when this requirement is waived by the Administrator."

Page 28, line 3, strike out "Fund for Management Counseling" and insert "Transfer of Funds."

Page 28, strike out lines 14 through 20 and insert the following:

"(b) The amounts repaid to the United States pursuant to subsection (a) of this section shall be covered into the Treasury as miscellaneous receipts."

Page 28, strike out line 24 and all that follows down through page 29, line 19.

The CHAIRMAN. The question is on the committee amendments.

The committee amendments were agreed to.

Mr. HALLECK. Mr. Chairman, I have a series of amendments at the desk bringing the bill in line with the amendments already adopted. I ask unanimous consent that the amendments may be considered en bloc.

The CHAIRMAN. Is there objection to the request of the gentleman from Indiana?

There was no objection.

The Clerk read as follows:

On page 10, line 3, delete the word "Organization" from the subtitle to section 301, and insert in lieu thereof, the word "Qualification."

On page 10, delete subsection 301 (a) (lines 5 through 10) and insert in lieu thereof, the following:

"Sec. 301. (a) Small business investment companies formed by any number of persons, not less than 10, chartered under State laws for the purpose of operating under this act, may be authorized by the Administration to operate under this act."

On page 10, delete the last sentence of subsection 301 (b) beginning in line 20.

On pages 10 and 11, delete all of subsection 301 (c) and the initial portion of subsection 301 (d) to and including subparagraph "(2)" thereof; and insert in lieu thereof, the following:

"(c) The articles of incorporation and amendments thereto shall be forwarded to

the Administration for consideration. In determining whether to authorize such a company to operate under this act, the Administration shall give due regard, among other things, to the need for the financing of small-business concerns in the area in which the proposed company is to commence business, the general character of the proposed management of the company, the number of such companies previously organized in the United States, and the volume of their operations. After consideration of all relevant factors, the Administration may in its discretion grant authority to such a company to operate under this act.

"(d) Prior to the grant of such authority, the company must have power—

"(1) to adopt and use a corporate seal;

"(2) to have succession for a period of 30 years."

On page 13, delete subsection 301 (e) in lines 1 through 4.

On page 13, line 6, strike out "organized" and insert "authorized to operate."

On page 13, line 8, strike out "before it shall commence business."

On page 21, delete from lines 12 and 13, in the second sentence of subsection 308 (d), the following words and punctuation: "company shall be declared dissolved, or its rights, privileges, and franchises forfeited,"; and insert in lieu thereof, the following word and punctuation: "forfeiture."

On page 22, delete subsection 308 (f).

On page 23, delete section 309, including its subtitle.

On pages 23, 24, and 25, delete all of title IV and renumber the succeeding titles and sections accordingly.

Mr. HALLECK. Mr. Chairman, first of all I would like to say to my very good friend from Texas [Mr. PATMAN] that I well recall those earlier years when we served together on the Small Business Committee of the House of Representatives. He has always been a stalwart champion of small business, as I have sought to be also a stalwart champion of small business.

I said earlier in the discussion on the rule and in general debate on the bill, and in my statement on the amendment, that I intended to support the rule and the bill. I have been asked by a number of Members from my State about my personal position. I want all of them to understand that I shall vote for the bill. I do not know how effective the measure will be. Certainly it offers great promise. I have some concern about entering this new field as a Federal endeavor, at least through the use of Federal credit; but I certainly express the hope that the bill will be effective for the purposes and objectives for which it is created.

I would like to say one thing further. The gentleman from Michigan spoke of an amendment that he expected to offer that would undertake to provide that if there is any deficiency in any existing State law, and I say there has been no evidence that there is any, the Federal charter provision would operate. He has come to the conclusion, in view of the general tenor of the bill, that his amendment would not add substantially but probably would only confuse the general issue. As I have said, undoubtedly this matter will go to conference. In the meantime, if anyone wants to develop any more accurate or definite information as to any State deficiency, certainly they will have that opportunity; but at this point I am convinced this careful

study made by the American Bar Association is correct, that the existing laws in the various States are completely adequate.

The amendment I have offered is simply designed to bring the rest of the bill in line with the amendment previously adopted, which provides for the State chartering of these companies rather than for Federal chartering.

Mr. PATMAN. Mr. Chairman, I rise in opposition to the amendments offered by the gentleman from Indiana [Mr. HALLECK].

Mr. Chairman, I know that the gentleman from Indiana is sincere in what he says and that he believes these are implementing amendments. Incidentally, there are 17 of them. It rewrites the bill fully and completely.

Naturally, this bill must go to conference now, because we cannot run the risk of adopting 17 substantive amendments, in addition to the one that has already been adopted, without sending the bill to conference to make sure of what we are doing. We do not know what we are doing here. I know that the gentleman from Indiana is sincere, I repeat, and I will take his word for the fact they are just implementing amendments; therefore, I will not resist them further but depend upon the conferees to iron out the changes.

I hope that the bill will pass without any further amendment, to the end that we can very quickly get a conference agreed upon between the two Houses and get the differences ironed out and get this bill, which is a good step in the right direction, started on its way.

Mr. MULTER. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I have followed very carefully the reading of the amendments just offered by the gentleman from Indiana, and while I, too, join with the gentleman from Texas [Mr. PATMAN] in endorsing the sincerity of the gentleman from Indiana in offering the amendments, I suggest to the Committee of the Whole that the adoption of these amendments guts the bill. If the bill is enacted in this form, it will do very little, if anything, for small business. These amendments, together with the one offered by him and already adopted eliminates one of the very important features of the bill. Such action by us will put in a preferred position, the few State development corporations now operating and, at the same time, keep out the private investors this bill sought to interest in this program.

The CHAIRMAN. The question is on the amendments offered by the gentleman from Indiana [Mr. HALLECK].

The amendments were agreed to.

Mr. MULTER. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I have three amendments at the desk which I intended to offer. I am not going to offer them. I ask unanimous consent that I may revise and extend my remarks, at which time I will incorporate the amendments in my remarks.

The reason I am not offering them is because I am firmly of the opinion that because of the adoption of the amend-

ments offered by the gentleman from Indiana, we now have before us a bill that will do nothing of any consequence for small business.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

The amendments referred to follow:

Page 13, lines 12 and 13, strike out "not more than \$150,000" and insert in lieu thereof "the amount of paid-in capital and surplus but in no event more than \$350,000."

Page 23, line 3, insert "(h) (1) in order to encourage participation by private enterprise generally in the development of small business investment companies, the Administration, upon terms and conditions prescribed by it and subject to the limitations of this subsection, shall issue a limited guaranty to each private corporation, partnership, and other person purchasing shares of stock in such a company, and to the United States with respect to the purchase by the Administration of the debentures of such a company under section 302 (a), against any loss which may be incurred because of the failure or insolvency of such company or its inability for other reasons to retire or redeem such shares of stock or debentures in accordance with their terms to the extent of the initial cost of the stock or the amount advanced pursuant to such debentures.

"(2) The Administration shall impose and collect a premium charge in connection with any purchase of shares of stock or debentures with respect to which a guaranty is provided by this subsection. Such premium charge (which shall be collected from the small business investment company at the time of the issuance of the shares of stock or debentures involved) shall be in an amount equal to one-half of 1 percent of the face amount of the shares of stock or debentures purchased; and all such charges shall be placed in a special fund in the Treasury of the United States to be used exclusively for the purposes of this subsection. Amounts in such special fund not currently needed for payments under paragraph (3) shall be invested in interest-bearing obligations of the United States or obligations guaranteed as to both principal and interest by the United States.

"(3) Any payments required to be made as a consequence of a guaranty under this subsection shall be made from the special fund established under paragraph (2); and if in any case the amount available in such fund is insufficient to make payment under such guaranty in full, payments under such guaranty shall be made on a prorated basis to all persons entitled thereto to the extent of the amounts so available.

"(4) The provisions of this subsection shall apply to any company converted into a small business investment company under section 401, from and after the date of its conversion; and in addition any such company shall pay, at the time of and as a condition of such conversion, the premium charge described in paragraph (2) on all of the shares of its stock then outstanding and held by private corporations, partnerships, and other persons, basing such charge on the original purchase price of such shares.

"(5) In the event of the failure or insolvency of any small business investment company or its inability to retire or redeem its shares of stock and debentures according to their terms, or the dissolution of any such company under subsection (d), where payment under guaranties made by the Administration under subsection (h) will be required, the Administration, notwithstanding any other provisions of law, shall take over and wind up the affairs of such company under the same procedures (insofar

as appropriate) as those which are applicable to the liquidation of an insured bank under the Federal Deposit Insurance Act, and shall take any and all other actions which may be necessary and appropriate to insure to the maximum extent practicable that payment will be made from the assets of the company to all creditors of the company and thereafter the balance, if any, paid pro rata to holders of its stock and debentures and thereafter the deficiency, if any, paid under such guaranties to the extent provided for in this subsection."

Page 25, line 24, strike out the figures "250,000" and insert in lieu thereof the figures "350,000."

Mr. MULTER. My amendments at pages 13 and 25 of the bill change the maximum amounts of the loans that may be made by SBA to \$350,000.

You will recall that we but recently amended the Small Business Administration Act, which has now been signed into law, so as to change the maximum amounts of those loans that SBA can make from \$250,000 to \$350,000. While I recognize that this is a new and experimental program, there can be no justification for having different amounts in the two bills. It would, therefore, have been much more logical and sensible to have provided the same maximum, to wit, \$350,000 for the loans that could be made in each instance. It is ridiculous to provide that a small-business concern can go directly to SBA and borrow \$350,000 but that a small-business investment company, which is to finance small business, can itself borrow not more than \$150,000.

My third amendment was intended to set up a limited guaranty fund for the benefit of those who would be induced to make investments in these new ventures. I believe that such a provision in this bill would go a long way toward bringing private funds into this new field of endeavor. I concede that the idea of guaranteeing such investments is new but it is no newer today than was the original idea to insure deposits in our banks, or the idea of insuring shares in savings and loan associations, or, for that matter, the idea of guaranteeing mortgages as we do with VA loans and FHA loans. It is hardly as revolutionary as credit insurance.

I am in agreement with all those who label invested capital as risk capital, as well as with the idea that the prospect of gain and the fear of loss are important regulators of our economic system.

If we had adhered to the more restrictive application of those principles, however, we would never have developed the tremendously profitable insurance industry, which includes guaranty and indemnity principles.

I am sure you will recall that in the early days of insurance, policies were nothing more than gambling contracts. Even today, Lloyd's of London will issue what amounts to strictly a gambling contract under the guise of an insurance policy.

As insurance law developed, legislative bodies eliminated, in most jurisdictions, the speculative features so that today most of these laws require an insurable interest and limit recovery to the amount of actual loss.

Today, we have credit insurance, mortgage insurance, and deposit insurance only because businessmen and legislators dared to venture into uncharted fields.

While I do not pretend that my amendment has all the answers, I do think the principle is sound and should be encouraged.

A tax advantage will, of course, be somewhat of an incentive to the investor in the high income-tax bracket. It will be no incentive to the average investor, particularly that small investor who reports his capital gains as straight income because there is no tax advantage to his doing otherwise. It is my thought that the small business investment companies, while organized to help small business, will themselves have to be big business in order to be able to do the job. At the same time, I would like to see them developed into big business by bringing into them the average investor rather than only the big investor.

Mr. HALLECK. Mr. Chairman, will the gentleman yield?

Mr. MULTER. Surely.

Mr. HALLECK. I have tried to use temperate language and have tried to present my position on this matter in complete sincerity and in fair terms. I must say, however, that I cannot let go unchallenged the statement of the gentleman that the amendments that I have offered here, which have been adopted in the Committee of the Whole, have gutted the bill. They have done no such thing. All they have done is to bring about a situation which the gentleman, himself, with his committee, would have provided for 3 years hence, which is that the organizations to be chartered shall be chartered by the States rather than the Federal Government. Now, if any fair-minded person can find in that arrangement any basis for a statement that I gutted the bill, I fail to understand it.

Mr. MULTER. Mr. Chairman, I regret that the distinguished gentleman thinks my language was intemperate. I vigorously disagree with him as to what he thinks he has accomplished by his amendments. I do urge that his amendments have made the bill inoperative in a most important area. I think that is temperate language. I do not in any way attack his motives or his sincerity, but I do say we now have a bill in its present form, thanks to him, which will do nothing for small business.

It is sheer absurdity to say that a bill providing for Federal loans should be restricted to making those loans to State corporations. The bill very properly requires that these Federal loans may be made only to State or National corporations organized "expressly for the purpose of operating under this act." That is the language in section 309 on page 23 of the bill.

Mr. TEWES. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, my purpose in rising is to establish a legislative record of Congressional intent concerning this bill. I would appreciate it therefore if I could direct several questions to the gentleman from Texas concerning that part of the bill which has not received much con-

sideration here, namely, the loans to State and local development companies.

It was my privilege in Wisconsin to be the small-business representative and chairman of a governor's commission which looked toward improving our industrial development. As a result of this State encouragement, local communities established industrial development corporations. Some of them are actually incorporated; some are not. If they are, they are incorporated by private individuals under the statutes of Wisconsin.

Now, my question is this: Is it the intention of this legislation that such corporations be entitled to receive funds under title V on page 25 of this bill?

Mr. PATMAN. I believe it is obvious, under the House amendments, that local associations are excluded from section 501, which appears on page 25. That section would apply only to State associations.

Mr. TEWES. This applied to title V on page 25 which does not apply to the amendments which have previously been adopted on the floor of the House.

Mr. PATMAN. In section 501, where the phrase "State and local development companies," appeared in the Senate bill, the phrase "and local" was stricken out, leaving it just "State development companies."

Mr. TEWES. But, is there not another section of the bill which provides that for the purpose of purchasing land and constructing plants, local industrial development corporations could participate?

Mr. PATMAN. Yes, but that is different. Authority with more rigid limitations. That is under section 502. Local associations are eligible under section 502.

Mr. TEWES. Such a local corporation as I have mentioned here would be eligible?

Mr. PATMAN. Yes; for plant construction, conversion, or expansion, including the acquisition of land, loans may be made to either State or local associations for specific, identifiable small business concerns and for sound business purposes approved by SBA.

Mr. TEWES. Is there any limit on the amount of those loans made to local corporations?

Mr. PATMAN. That is an interesting question. That is where the State development companies come in so well. Under subsection 3 a loan of \$250,000 can be made to each identifiable small business concern through that association, and that means that one association possibly could make loans amounting to \$5 million or \$10 million. It is conceivable. There is no limit to the number of identifiable small business concerns to which loans of \$250,000 each could be made through a single local or State development company. So, there is where the State development companies that are already organized have such a great advantage. They are ready to go ahead. I have put in the RECORD a list of these State development companies.

Mr. TEWES. Then a corporation, which has been organized in my State by, let us say, 3 private individuals for the purpose of developing this community

industrially would be authorized to receive loans for the purpose of buying land which would be used for new industry in that locality; is that a fair statement?

Mr. PATMAN. I am not sure at the moment if the number 10 is required to be eligible.

Mr. TEWES. But would a corporation which has been established and recognized by the State for the purpose of developing industry be eligible?

Mr. PATMAN. My attention has been called, under "definitions" the term "State development companies" means enterprises incorporated under State law with authority to promote and assist the growth and development of small-business concerns in the area covered by their operations. Obviously then, any number of members admitted by State law would be eligible. So a company with 3 members, if admitted under State law, would be eligible under this provision.

Mr. TEWES. I shall rephrase my question in the light of this new information. A corporation recognized by the State in a local municipality, for the purpose of developing itself industrially, would be recognized to receive loans under the terms of this section?

Mr. PATMAN. There are hundreds and thousands of industrial corporations, organized by chambers of commerce usually, to promote the interests of their respective towns and cities—and they are to be commended—but I am not sure how far SBA could go under this. I would not want to state that all of these different kinds of local associations will have certain rights that I am not sure that they will have.

Mr. TEWES. Neither is the word "development" any clearer as it is used in the language of the bill.

Mr. PATMAN. The pertinent definition appears on page 5, section 103, subsection (6). I cannot see anything there that would exclude industrial corporations.

Mr. TEWES. That is what I wanted to clarify. I thank the gentleman.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. WALTER, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (S. 3651) to make equity capital and long-term credit more readily available for small-business concerns, and for other purposes pursuant to House Resolution 618, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

The SPEAKER. The question is on engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time and was read the third time.

The SPEAKER. The question is on passage of the bill.

The question was taken; and on a division (demanded by Mr. PATMAN) there were—ayes 131, noes 5.

So the bill was passed.

A motion to reconsider was laid on the table.

COMMITTEE ON HOUSE ADMINISTRATION

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that the Subcommittee on Elections of the Committee on House Administration may be permitted to sit during general debate while the House is in session the remainder of the day.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

NATIONAL ADVISORY COMMITTEE FOR AERONAUTICS

Mr. DELANEY. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 638 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 11805) to promote the national defense by authorizing the construction of aeronautical research facilities by the National Advisory Committee for Aeronautics necessary to the effective prosecution of aeronautical research. After general debate, which shall be confined to the bill and continue not to exceed 1 hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Armed Services, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. DELANEY. Mr. Speaker, I yield 30 minutes to the gentleman from Illinois [Mr. ALLEN], and yield myself such time as I may require.

Mr. Speaker, House Resolution 638 makes in order the consideration of H. R. 11805, unanimously reported by the Committee on Armed Services.

This bill authorizes funds for the construction program of the National Advisory Committee for Aeronautics in the amount of \$29,933,000. These funds are for new research facilities, modernization of existing research facilities and supporting facilities and general plant and utility improvements. The bill lists the construction and equipment programs at Langley Laboratory, Va., Ames Laboratory, Calif., Lewis Laboratory, Ohio, and the pilotless aircraft station, Wallops Island, Va.

The work of the NACA involves scientific research in aeronautics, particularly in the fields of hypersonic, sub-

sonic, transonic and supersonic speed ranges. This research is extremely important to our national defense and I urge the adoption of House Resolution 638.

Mr. ALLEN of Illinois. Mr. Speaker, I know of no objection to the adoption of the rule.

Mr. DELANEY. Mr. Speaker, I move the previous question on the resolution. The previous question was ordered.

The resolution was agreed to.

Mr. DURHAM. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 11805) to promote the national defense by authorizing the construction of aeronautical research facilities by the National Advisory Committee for Aeronautics necessary to the effective prosecution of aeronautical research.

The motion was agreed to.

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H. R. 11805, with Mr. PERKINS in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

Mr. DURHAM. Mr. Chairman, I yield myself 10 minutes.

Mr. Chairman, the Armed Services Committee has unanimously reported out H. R. 11805, the NACA construction bill for fiscal year 1959.

The total authorization sought this year is \$29,933,000. This is substantially less than the fiscal year 1958 authorization, which was in the amount of \$44,700,000.

All of us are familiar with the National Advisory Committee for Aeronautics and with the fine work in the field of research and development that they have carried on over the past many years. NACA, of course, will become the nucleus of the new National Aeronautics and Space Administration.

The construction program for this year is divided into four general areas, as follows:

(a) New research facilities, \$23.5 million.

(b) Modernization of existing research facilities, \$5.3 million.

(c) Modernization of supporting facilities, \$260,000.

(d) General plant and utility improvements, \$887,000.

On page 4 of the report, the program is broken down in greater detail and shows the particular items which are to be constructed at four NACA facilities: Langley Laboratory, Virginia; Ames Laboratory, California; Lewis Laboratory, Ohio; and Wallops Station, Virginia.

In addition to these breakdowns of the program, the report also sets out in considerable detail descriptions of the individual items. For example, the most costly single item in the program is a high-temperature structural dynamics facility at the Langley Laboratory. This project involves the construction of a high-temperature blow-down tunnel capable of simulating heating and loading

experienced by hypersonic aircraft structures.

I might state at this point that the terms used by NACA in describing their complex research facilities are sufficiently unfamiliar to the layman that I have had inserted in the report a glossary of terms. One of these terms that I just used in describing the Langley facility is "hypersonic." This term refers to speeds greater than 5 times the speed of sound, which is in the order of 4,000 miles an hour. Other terms used in the program descriptions appear on pages 15 through 18 of the report.

Langley Laboratory: The \$12 million high-temperature facility at Langley is required because advances in aerodynamics and propulsion have increased the speed capabilities of aircraft and missiles so that flight up to and including satellite velocity is now possible.

Of course, when an air frame reaches a speed such as this, the high temperatures and heating rates encountered and the vibrations caused by propulsion systems create new problems which must be solved.

Also, at the Langley Laboratory the program requests authority to construct an ultra-high-temperature materials facility. This will provide facilities to simulate the aerodynamic conditions encountered during the entry into the atmosphere of a long-range ballistic missile.

Today the extreme conditions of high temperatures, high velocity airflow encountered into the entry into the atmosphere of long-range ballistic missiles cannot be accurately simulated in ground apparatus except on an extremely small scale. For this reason, it has been necessary for ballistics missiles to serve as their own test vehicles to obtain this information. Obviously the provision of a facility of this kind will permit numerous tests in this area at a fraction of the cost involved in using missiles themselves as test vehicles. Indeed, a single flight test of a vehicle may be as costly as the complete facilities proposed for construction. This facility will cost almost \$2.7 million.

Ames Laboratory: At the Ames Laboratory, there are 3 items involved. The most costly of these is a 12- by 12-inch hypersonic helium tunnel. This facility will cost \$1,685,000. It will be used to measure the Mach number, the Reynolds number, heat transfer, and skin friction on various very high-speed aircraft and missile components and forms.

Here again we have terms not wholly familiar to the layman and in the glossary of terms, the definition of Mach and Reynolds number are given. Mach number indicates speed. For example, Mach 1 equals 763 miles per hour—the speed of sound at sea level. Reynolds number, in layman's language, indicates the closeness to actual conditions of flight that are represented by the model being tested. For example, if wind tunnel experiments are conducted in air which is compressed to 10 times the density of atmospheric air, the results obtained would be applicable to an airplane 10 times as large as the model tested.

Lewis Laboratory, Ohio: At the Lewis Laboratory in Ohio, there are 6 items totaling almost \$8.9 million. Among the items proposed for construction is a high-energy rocket-engine research facility. The construction involves 3 test cells equipped for studies on new high-energy rocket-propellant systems. This will be tied into existing facilities in order that measurements and instrumentation equipment presently in existence can be used. This, of course, involves a most important area of research today.

Wallops Station: At the pilotless aircraft station, Wallops Station, Va., there is only 1 item and this involves beach erosion control in front of the north half of the seawall at this installation.

Of course, there are numerous additional details which could be presented but I feel that I have dealt with some of the important highlights of the program and the report will permit even a highly detailed study by individual Members.

So, the whole program totals \$29,933,000. It is all for construction and involves the kind of facilities without which we cannot remain in the forefront of aircraft and missiles.

In closing, I would like to say I have enjoyed handling all of the authorization legislation for this agency over the years. I have seen it grow from what I felt was a very small agency until at the present time when it is one of the most important research facilities that we have in America.

I also want to say I have never worked with an agency of the Government where the people who are doing the job are more interested in carrying out what is assigned to them, and doing their duty. They are top scientists. They are sincere in their work. They are dedicated men. I hope the committee that handles this legislation in the future will enjoy working with them as I have over the many years.

Mr. CUNNINGHAM of Iowa. Mr. Chairman, I yield myself 10 minutes.

Mr. Chairman, the chairman of the subcommittee has presented a fine statement of what this bill is designed to do and I will, therefore, not repeat any of the facts which he has presented. The bill, in its essential elements, is identical to similar bills which Congress has passed for several years authorizing construction for the National Advisory Committee for Aeronautics.

The construction items themselves, as you read them in the bill, give somewhat of a picture of the work which NACA carries on. But I do not believe that we all understand the true importance of the National Advisory Committee for Aeronautics to our whole airplane and missile program. For this reason, I would like to deal briefly with some of the specific problems which are faced by NACA and invariably solved by this very fine organization.

Among the most important of the problems in the ballistic-missile field today is that relating to the reentry of the missile into the earth's atmosphere. The development of these missiles involves a matter of great national urgency and is

supported by literally billions of dollars today.

The long-range ballistic missile, moving many thousands of miles per hour as it enters the earth's atmosphere, encounters aerodynamic heating of great magnitude. So serious and so large are these problems of heating that success or failure of the whole long-range ballistic-missile program hinges on their practical solution.

Many NACA facilities have been brought to bear on the problems. Aerodynamic studies at the Ames Laboratory; powerplant investigations at the Lewis Laboratory; structural and aerodynamic research at the Langley Laboratory and at the latter's Wallops Island Pilotless Aircraft Research Station—all have contributed to the growing fund of missile technology.

In 1957 the NACA publicly reported two significant steps taken at its Ames Aeronautical Laboratory toward eventual solution of the heat problem for missiles. One was a new concept of shaping the missile nose cone. The second was the design of a relatively simple laboratory tool to simulate with useful accuracy the aerodynamic heating and resulting thermal stresses experienced by a missile entering the atmosphere.

In this connection, NACA scientists have worked closely with the military organizations and industry groups engaged in developing intercontinental and intermediate range ballistic missiles. Every effort has been made to assure that newly won laboratory knowledge passes rapidly into the industry. NACA staff members frequently furnish consulting services, and in one recent instance proposed a redesigned missile shape, superior in heating resistance, aerodynamic stability and ease of packaging. This and other contributions have made NACA a key organization in this major national undertaking.

Last year a particular matter relating to the intercontinental ballistic missile was presented quite dramatically to the committee, and, with your indulgence, I would like to review this interesting item very briefly.

The rocket motor of the German V-2 burned for about 70 seconds. Purely for illustration, let us say the burning time of one concept of an ICB might be about three times that, some 200 seconds. During that time—3½ minutes—the fuel and oxidant might be pumped into the combustion chamber at the rate of about a ton a second.

Calculations indicate that if the missile is going to destroy a priority target, the rocket motor must operate with a degree of precision which has not been used before in devices of this size or complexity. In 5 minutes a missile must reach an altitude of 500,000 to 1 million feet, traveling at a velocity of 18,000 miles per hour. If the velocity is 18,005 miles per hour, it misses the target by 5 miles. Likewise if 1 percent of the propellant is not used, the miss may be measured in hundreds of miles.

But NACA is engaged not only in producing more efficient aircraft and missiles from the standpoint of speed, stability, and dependability. It is also deliv-

ing into a matter which is of concern not only to every Member of the House but to virtually every individual in the United States, and that is the subject of the noise caused by aircraft.

The noise produced by aircraft and missile powerplants have reached such high levels that the orderly development of aviation is being impeded. The noise is objectionable to those living near airports, can be physically damaging to personnel near the noise source, and, as noise is a fluctuating pressure wave, can damage the structure, equipment, and control systems of the engine and the vehicle.

As the power produced by jet and rocket engines increases, we know that the noise levels will also increase unless methods are discovered with which to control the noise. The NACA has under way a three-way research program aimed at alleviating aircraft-noise problems. One part is a basic study of the amount of noise and ways in which it is produced by aircraft and missiles and their powerplants. Another part is aimed at reducing the amount of noise being produced, and the third part concerns research on aircraft structures and equipment able to withstand the noise pressure.

Jet and rocket engines operating on the ground and during takeoff produce about the loudest nonexplosive noises known to man. Research has demonstrated that this noise is caused by the mixing of the high-speed exhaust gas with the surrounding air, and that the amount of noise can be related to the area of the jet and the velocity of the jet. The noise fields around various operating turbojet and rocket engines have been mapped at distances from a few feet to several hundred feet from the engines.

The NACA is continuing its basic research on the manner in which this noise is produced, since an understanding of the mechanisms of noise production is required in order to properly estimate the noise fields for new jets, as well as to show the way toward reducing the noise at its source.

In order to reduce the noise produced by the mixing of the jet with the air outside the tailpipe exit, the NACA has been investigating methods of altering this mixing process so as to reduce the noise. A large number of tailpipes of various shapes have been tested, as well as such other shapes as long narrow slots such as might be used with a jet flap.

These suppressors have been tested on full-size jet engines under stationary conditions in an open field and those showing best noise-suppression characteristics have been tested in wind tunnels where flight operations were simulated, and the aerodynamic performance of the nozzles determined.

The strong shock waves encountered in supersonic flows such as those of a rocket exhaust produces extremely loud sound waves at certain frequencies, and other nozzles are being developed which reduce these shocks and their noise.

The air flowing over an aircraft flying at high speeds is another source which

produces a considerable amount of noise. The magnitude and nature of this aerodynamic noise is being studied in subsonic and supersonic flight tests with aircraft such as the F-94, B-47, and research airplanes, as well as in wind-tunnel tests by the NACA and by the California Institute of Technology under an NACA research contract. The effects of a sonic boom produced by an aircraft flying at supersonic speeds near another aircraft have been investigated.

The effect of propeller blade shape on the noise field produced by subsonic propellers has been investigated with a view toward determining the best shape for minimum noise. A theoretical method has been established for estimating the noise field around a propeller in subsonic flight for various blade loading conditions. Experiments have been conducted on the noise characteristics of supersonic propellers. The shock fields created by these propellers produce very loud noises which are a major handicap to the use of such propellers for high-speed aircraft. However, static tests have been made of supersonic type propellers in which the operating conditions of the blade have been varied so that while maintaining its efficiency, the tip speed is subsonic and the noise level is about the same as conventional propellers.

Noise levels around aircraft and missiles have increased to such intensity that parts of the structures and equipment are being destroyed or damaged so as to impair the proper operation of the vehicle. The third area of NACA noise research concerns how the noise is transmitted to and through the structure and thereby the equipment, and how to most efficiently design the structure so as to withstand the noise loads. Various types of aircraft structures are being tested to destruction by the noise pressure from such sources as jet and rocket engines, air jets, and laboratory sirens, and the information obtained is being used to devise methods for designing better structures.

I, for one, certainly hope that the NACA will be successful in its solution of the noise problem because I know that every Member of this House has received mail from constituents who are being adversely affected one way or the other by reason of the noise caused by both military and commercial airplanes.

From these few examples of NACA research and development, I hope I have given a fairly clear picture of the essentiality of NACA to our whole missile and aircraft program.

The organization is made up of truly dedicated people and I consider it an unquestionably wise decision to have this fine organization form the nucleus of the new National Aeronautics and Space Administration.

And this raises the question as to whether this bill should be amended in order to make the authority in it available to the new Agency. I can tell the House that I have looked into this matter carefully and I find that there is no requirement to modify the bill in any respect. All of the authorities which have been or are in the near fu-

ture provided for the National Advisory Committee for Aeronautics will be available to the new Agency under the provisions of the new Agency's basic law.

I urge, therefore, that every Member of this House give his wholehearted support to this measure as an essential part of our legislative program to insure that we stay in the forefront of the airplane and missile race.

Mr. ALLEN of California. Mr. Chairman, will the gentleman yield?

Mr. CUNNINGHAM of Iowa. I yield to the gentleman from California.

Mr. ALLEN of California. Mr. Chairman, Ames Laboratory is within a few miles of my home in California. I have visited it on occasion. I agree with the gentleman from Iowa and with the gentleman from North Carolina as to the great work that is being done by a very dedicated group of men, and I think that the scientific knowledge that we have accumulated through their efforts is reassuring to anyone who has had the opportunity to see what they have done. For the money that we have spent I think we have had one of the greatest returns in practical knowledge, in scientific advancement, of any money that we have authorized to be spent in this House.

Mr. CUNNINGHAM of Iowa. I thank the gentleman.

Mr. DURHAM. Mr. Chairman, I have no further requests for time.

The CHAIRMAN. The Clerk will read the bill for amendment.

The Clerk read as follows:

Be it enacted, etc., That, pursuant to subsection (b) of section 1 of Public Law 672, approved August 8, 1950 (50 U. S. C. 151b), the National Advisory Committee for Aeronautics is authorized to undertake additional construction and to purchase and install additional equipment at the following locations:

Langley Aeronautical Laboratory, Hampton, Va.: High-temperature structural dynamics facility, a cable tie, instrumentation of a dynamics systems research airplane, and an ultra-high-temperature materials facility, \$16,583,000.

Ames Aeronautical Laboratory, Moffett Field, Calif.: Hypersonic helium tunnel, hypervelocity research laboratory, and modifications to the flight research laboratory, \$4,321,000.

Lewis Flight Propulsion Laboratory, Cleveland, Ohio: Air heater for the unitary plan tunnel, modifications to the altitude tunnel, improvements to the propulsion systems laboratory, hypersonic missile propulsion facility, modifications to the materials research laboratory, and a high-energy rocket engine research facility, \$8,892,000.

Pilotless Aircraft Station, Wallops Island, Va.: Erosion control, \$137,000.

Sec. 2. Any of the approximate costs enumerated in section 1 of this act may, in the discretion of the Director of the National Advisory Committee for Aeronautics, be varied upward 5 percent to meet unusual cost variations, but the total cost of all work so enumerated shall not exceed \$29,933,000.

Sec. 3. Any funds appropriated for the construction of facilities pursuant to this act may, with the approval of the Bureau of the Budget, be used for emergency repairs of existing facilities when (1) such existing facilities are made inoperative by major breakdown, accident, or other circumstance; and (2) such repairs are deemed by the Chairman of the National Advisory Committee for Aero-

nautics to be of greater urgency than the construction of new facilities.

Sec. 4. Not to exceed \$500,000 of the funds appropriated for the construction of facilities pursuant to this act may, with the approval of the Bureau of the Budget, be used for the construction of new research facilities or for the modernization of existing research facilities not specifically authorized herein when such construction or modification is deemed by the Chairman of the National Advisory Committee for Aeronautics to be of greater urgency than the construction of the facilities authorized by this act: *Provided, however, That no such funds shall be used for the construction or modernization of any facility for which funds may previously have been denied by the Congress.*

Sec. 5. There are hereby authorized to be appropriated such amounts as may be required to accomplish the purposes of this act.

The CHAIRMAN. If there are no amendments, under the rule the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. PERKINS, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H. R. 11805) to promote the national defense by authorizing the construction of aeronautical research facilities by the National Advisory Committee for Aeronautics necessary to the effective prosecution of aeronautical research, pursuant to House Resolution 638, he reported the bill back to the House.

The SPEAKER. Under the rule the previous question is ordered.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

The bill was passed.

A motion to reconsider was laid on the table.

ESTABLISHING BOUNDARY BETWEEN OREGON AND WASHINGTON

Mr. CELLER. Mr. Speaker, I call up the conference report on the bill (H. R. 7153) giving the consent of Congress to a compact between the State of Oregon and the State of Washington establishing a boundary between those States, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

The Clerk read the statement.

The conference report and statement are as follows:

CONFERENCE REPORT (H. REPT. No. 2234)

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 7153) giving the consent of Congress to a compact between the State of Oregon and the State of Washington establishing a boundary between those States, having met, after full and free conference, have agreed

to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendment.

EMANUEL CELLER,
E. E. WILLIS,
JACK BROOKS,
KENNETH B. KEATING,
WILLIAM C. CRAMER,

Managers on the Part of the House.

JOSEPH C. O'MAHONEY,
ESTES KEFAUVER,
ALEXANDER WILEY,

Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 7153) giving the consent of Congress to a compact between the State of Oregon and the State of Washington establishing a boundary between those States, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

SENATE AMENDMENT

The Senate passed H. R. 7153 with an amendment eliminating section 2 of the bill which expressly reserves to Congress the power "to alter, amend, or repeal this Act." The Senate conferees have agreed to withdraw that amendment thereby restoring section 2 to the bill.

The amendment is based on the premise that compacts between States as to their boundaries are expressions of sovereign prerogative which is not within the Federal authority to change without the consent of the States concerned (*Washington v. Oregon* (211 U. S. 127, 131 (1908)); *Louisiana v. Mississippi* (202 U. S. 1, 40-41 (1906)); *New Mexico v. Colorado* (267 U. S. 30, 41 (1925)); *Poole v. Fleeger* (36 U. S. 184, 208)).

CITED CASES NOT CONTROLLING

It is felt that the cases cited in support of this view are not dispositive of the issues here. They involve neither a change of State boundary by the Federal Government nor the right of Congress to alter, amend, or repeal its act of consent. Three cases, *Washington v. Oregon*, *Louisiana v. Mississippi*, and *New Mexico v. Colorado*, were suits by one State against another to require recognition of an existing boundary, and *Poole v. Fleeger* was a suit between two private individuals to determine, as between them, the title to certain land.

POWER OF CONGRESS TO WITHDRAW CONSENT TO COMPACTS INVOLVING STATE BOUNDARIES

The real question involved in the Senate amendment is whether or not Congress has the power, when giving its consent to an interstate compact, to expressly reserve the right to alter, amend, or repeal its act of consent.

There is no case which has directly decided this question. However, there is a case which, by analogy, could be controlling. It upheld the right of Congress, by subsequent inconsistent Federal legislation, to impair a compact between the States of Pennsylvania and Kentucky. In that case, *Pennsylvania v. Wheeling Bridge Co.* (18 How. 421 (1855)), a Congressional statute, the effect of which was to obstruct the Ohio River, was upheld despite Congress' previous consent to a compact between Pennsylvania and Kentucky whereby the States agreed to keep the river free from obstruction. In so holding, the court pointed out that any other result would be irreconcilable with the rule of the supremacy clause. The same reasoning would seem pertinent to the question of Congress' power to terminate or supersede a compact by the withdrawal of its consent at some later date, especially where it ex-

pressly reserves that right in the act granting consent.

The Federal Government has a continuing interest in rivers forming boundaries between States (the Columbia River forms part of the instant boundary compact), in navigation and in commerce thereon and their use in matters concerning the national defense and welfare.

A threat to the supremacy or efficiency of the Federal Government or to the interests of other States may develop or appear after a compact is consented to as well as before Congress gives its consent. In such circumstances Congress needs the power to take corrective action.

It is possible that the present compact will not actually settle the boundary dispute between Washington and Oregon. Latent defects may be discovered in the future which would cause the continuance of the dispute. The compact describes the boundaries by points of longitude and latitude, but it does not guarantee to the Congress that disputes will not arise in the same way that disputes have arisen in the past over boundary descriptions. Such disputes conceivably could affect the rights of citizens, other States, and even the national interest.

Congress, under the Constitution, passes upon and sets the boundaries of new States seeking admission to the Union. The only express constitutional prohibition with respect to the territorial integrity of the States is contained in article IV, section 3, which provides that no State shall be formed or erected out of a territory belonging to another State, or by the junction of two or more States without their consent.

FEDERAL POLICY ON WITHDRAWAL POWER CLAUSE

There has been an unprecedented rise in the number of interstate compacts in recent years. In the period from 1783 through 1920 the States ratified only 36 interstate compacts. In the period of the last 38 years since 1920 some 65 compacts have become effective with at least 6 or 7 more pending. Not only has there been a rapid rise in the number of compacts, but of much more importance is the fact that the use of interstate compact devices has been extended to a wide variety of complex subjects. There has developed an enthusiasm for the compact device as a panacea for the ills of our Federal system in the fields of interstate and Federal-State relations. Because of this circumstance it is most important that Congress seriously consider any proposal which could possibly tie its hand and set a precedent for future compacts.

Congress, generally, has been reserving the right to withdraw its consent to interstate compacts at least since the year 1911. It is not clear why this procedure was adopted. However, a case which was in litigation at that time and which was decided by the Supreme Court in 1912 (*Choate v. Trapp*, 224 U. S. 665) held that a subsequent Congressional revision could not impair vested rights obtained as a result of Federal statute. Apparently, in an effort to give constructive notice that compacts which Congress approved would be subject to later revision by the Congress, and that rights obtained under the compacts would therefore be subject to change and even extinguishment by Congress, it adopted the procedure of expressly reserving the right to withdraw its consent.

As a practical matter, the provision reserving the right to amend the Congressional act should remain in the bill. If the reasoning underlying the Senate amendment is correct, namely, that Congress may not later impair the boundaries of a State without its consent, then putting a reservation provision in the Congressional consent act cannot affect such right, and no harm will be done by leaving such a provision in the bill. On the other hand, if the contention is not correct, then

it would seem the wiser approach to leave the provision in the bill if for no other reason than the fact that Congress has been doing so in many instances for some 47 years and omitting it from the legislation could give rise to the inference that Congress is foreclosing itself from amending the act at some later date.

EMANUEL CELLER,
ED. E. WILLIS,
JACK BROOKS,
KENNETH B. KEATING,
WILLIAM C. CRAMER,

Managers on the Part of the House.

Mr. CELLER. Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The SPEAKER. The question is on the conference report.

The conference report was agreed to.

A motion to reconsider was laid on the table.

UNITED STATES MUST EXTEND AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT

Mr. AVERY. Mr. Speaker, I ask unanimous consent that the gentleman from West Virginia [Mr. MOORE] may extend his remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Kansas?

There was no objection.

Mr. MOORE. Mr. Speaker, I want to take this opportunity to voice my support of legislation to extend Public Law 480, the Agricultural Trade Development and Assistance Act. It is most regrettable that Congress has let this vital program expire. It is even more unfortunate that the bill which we have under discussion today would cripple and handicap the Secretary of Agriculture in dealing with this problem of disposal of our huge supply of surplus farm commodities.

There has been much criticism of the farm programs advocated by the Secretary of Agriculture, although I for one do not believe such criticism has had any basis in fact. But, in regard to this program of disposing of our surplus farm products on the world markets either in exchange for other goods or for foreign currencies, there has been apparent accord that this is a good and well managed program even among the most outspoken critics of the administration's policies. Consequently, it is difficult, if not impossible, to rationalize or justify the amendments S. 3420 would make to Public Law 480, which would impose certain mandatory requirements on the Secretary of Agriculture in dealing with the disposal of surplus commodities. Such stringent requirements would destroy the flexibility of the program which has been largely responsible for its success during the past 4 years.

I urge my colleagues to support S. 3420, and to vote for appropriate amendments which will strike the mandatory provisions and allow the program to be used at the discretion of the Secretary of Agriculture whenever and wherever such disposal, sale or trade of these surplus commodities will inure to the best

interests of the United States Government and to promote the economic well-being of our Nation's farmers.

THE NORTHWEST FACES A POWER SHORTAGE

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that the gentleman from Oregon [Mr. PORTER] may extend his remarks at this point in the RECORD, and to include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. PORTER. Mr. Speaker, it is necessary that I take the floor today to show that, unless reversed, the administration's shortsighted power policy will lead us into a very serious power shortage in the Pacific Northwest. We must look beyond today's soft aluminum markets and the general economic recession, which have sharply reduced the demand for power in the Northwest; we must remember that we will not always be favored with a greater than normal runoff, as in the winter just past; and we must take action now to expedite planning and construction of additional Federal hydroelectric power projects which will permit a continuation of the economic growth and development of the great Northwest.

CRITICAL YEARS AHEAD

Informed persons, interested in the growth of the economy of the Pacific Northwest, have been predicting that our region faces a critical power shortage by the middle 1960's, if not sooner. Therefore, I was greatly surprised when Secretary of the Interior Seaton stated last February in Portland, Oreg., that he did not see that the Pacific Northwest faces a power shortage. I immediately wrote the Secretary and asked for the supporting data on which his conclusions were based, including detail with regard to the projects under construction and in the planning stage which he thought would prevent a power shortage in the immediate future.

Not surprisingly, in response to my inquiry, Secretary Seaton advised that he had assumed that his statements were merely confirming the consensus as reported in an article in the Portland Journal. The article referred to, of course, was based on information given by the Secretary's own Bonneville Power Administrator, Dr. William Pearl, and Paul B. McKee, president of a large Portland-based private utility. One might almost suspect that the story had been planted to carry out the Secretary's purpose of leading the Northwest to believe that all was well on the power front, so as to draw attention away from the administration's partnership policy, the Hells Canyon giveaway, and other mistakes made by the administration in this field.

Nevertheless, to substantiate his position, the Secretary presented charts and statistics purporting to show that, while there would be insufficient hydroelectric power for firm loads beginning in 1963 under critical water-year conditions, by the use of all resources, including high-

cost steam power and possible imports from other regions, the shortage would not be felt by firm loads until 1965. The Secretary's charts show that after 1958-59, no hydroelectric power will be available for interruptible loads under critical water conditions, but that such loads can be met in critical water years by the use of high-cost steam power and possible imports until 1964.

The Secretary dismisses these shortages by calling attention to the fact that the charts also show that under median month water years there will be enough hydro power for the interruptible loads until 1966, and that by the use of the high-cost steam power and possible imports, the interruptible loads could be carried through 1967.

After examination of the Secretary's analysis, I find it necessary to take issue with him on several counts.

FORECASTS ARE LOW

First, the Secretary's load forecasts are very probably too low. Traditionally, requirements for electrical power in the United States have about doubled every 7 years. Secretary Seaton's charts are based on an estimate of only a 50-percent increase in electric power requirements in the northwest power pool from 1958 to 1967. At that rate it would take 15 years for the Northwest power loads to double.

Or contrast the Secretary's predictions with those contained in Electrical World's last annual forecast of the electrical industry, published September 2, 1957. It predicts that use of electrical energy in the United States will increase about 100 percent in the 1958-67 period. Even this is a slower rate of growth than has been experienced in the past.

Does the Secretary think the recession, with its attendant reduction in demand for power is going to last so long that the Nation's power load growth will be cut in half? Or does he think that our great Northwest, which in essence is and has been the very frontier of expanding economic and industrial development, is going to become, powerwise, and in terms of new industry, one of the more backward regions of the United States?

Secondly, the Secretary's reliance on the prevalence of median month hydro conditions to show a surplus of power over requirements does not give weight to the fact that critical water year conditions might appear at any time, and that median month conditions will be achieved only half of the time.

Has the Secretary been lulled by the soft aluminum market, the general economic recession, and the fact that the Pacific Northwest has just experienced one of the best water years on record, into thinking that the Northwest's power needs in a critical year can be met with capability based on median month year water conditions? Or does the Secretary want to slow down the growth of the power-consuming industries in the Northwest that depend on low-cost hydro power for their very existence?

WHERE IS THE MARGIN?

Thirdly, the Secretary says nothing about the need for a margin of capability over peak loads in order to take care

of possible equipment failure, and to have power available to induce new industries to locate in the Pacific Northwest. I can well understand the Secretary's reluctance to mention this factor, because recent surveys of the electric power industry by the Edison Electric Institute published in the institute's semiannual electric power survey of October 1957, show that the power system in the area served by the West Division of the Northwest Power Pool has the lowest margin to be found anywhere in the United States. For the estimated December 1957 peak loads, the Edison Electric Institute showed the Northwest to have only a 3.9 percent margin under median hydro conditions, compared with an average of a 16.7 percent margin for the United States as a whole.

Had we experienced an adverse water year, the institute shows that the Northwest's capability would have been 11.8 percent less than needed to carry the estimated December 1957 peak loads—in other words, a deficit in power that would have had to have been made up by importing power from other areas or by artificial curtailment of loads, had not the Secretary been bailed out by a good water year and an easing of the demand for power.

Furthermore, the Edison Electric Institute's survey forecasts a continuing deficit in margin in the Northwest through 1960—the last year of the survey—under adverse hydro conditions. For the United States as a whole, the institute shows a favorable margin of from 13.8 to 20 percent, even under adverse hydro conditions. Will the Secretary continue to be lucky enough to have a combination of uncommonly high water and reduced economic activity coincide to assist in overcoming the power deficit in the Northwest?

Although the Secretary relies heavily on the article in the December 29, 1957, Portland Journal to support the position he is taking, it is interesting to note that the Portland Oregonian has not been misled in the same manner. In an editorial entitled "Weak Spots in Power," on April 27, 1958, the Oregonian included the following statement:

As of this moment, Bonneville has surplus power to sell, both firm and interruptible. But the firm power it has to offer in big chunks is on a temporary basis. And, of course, interruptible power, as its name implies, must be withdrawn if low water stages makes its delivery impossible.

This temporary surplus of power is not attractive to big power-using industries because it cannot be sold on contracts long enough to assure repayment of plant investments and long-time profits.

From my study of the material sent me by the Secretary of Interior, I can only conclude that he is deliberately pursuing a policy that is intended to deprive the Northwest of the use of its natural endowment—low cost hydroelectric power—in attracting and holding new power consuming industries.

I believe that this policy must be reversed. We must continue to harness the great natural resources of the Northwest in order to make new opportunities for our people by attracting new industries, and by strengthening and

expanding our existing industries. Strengthening the economic base of the Northwest will, in turn, strengthen the entire Nation.

OREGON UNEMPLOYMENT CONTINUES HIGH

I think it should be noted for the record that Oregon's unemployed in mid-June totaled 42,500. This is a decline of 11,600 from the previous month, according to the State unemployment compensation commission. But the 42,500 total far exceeds the mid-June 1957 figure of 25,600.

The Oregon State Unemployment Compensation Commission reported payment of \$1,958,460 in benefits in June, or nearly \$900,000 more than in June 1957. A year ago the State agency paid \$1,061,553 in benefits.

How do we strengthen the economic base of the Northwest?

As a positive major step now, I will continue to urge a speed-up in planning of power development projects in the Northwest, followed by immediate construction funds. There is pressing need for construction of Little Goose, lower Granite, and lower Monumental Dams on the Snake River above Ice Harbor Dam in the State of Washington. There is need for a speed-up in construction of John Day Dam in eastern Oregon. And there is a current and future need for an accelerated construction program for Green Peter Dam in Linn County in the Fourth Congressional District of Oregon.

Mr. Speaker, under unanimous consent I insert Secretary Seaton's April 4, 1958, letter to me in the RECORD at this point:

THE SECRETARY OF THE INTERIOR,
Washington, D. C. April 4, 1958.

HON. CHARLES O. PORTER,
House of Representatives,
Washington, D. C.

DEAR MR. PORTER: Your office was advised on March 14, 1958, that we would defer replying to your letter of February 25 regarding the power situation in the Pacific Northwest until we could make available charts and other materials then in the process of reproduction. In your letter you express surprise at finding that I "do not see that the Pacific Northwest faces a power shortage" and add that many persons from that section "have been in my office to tell me that a very serious power shortage is anticipated in the next few years."

While the item from the Portland Journal which you attached is described in your letter as an account of my recent speech in Portland, it should be noted that the newspaper item in fact grew out of and relates to statements made by me at a press conference. Since those statements were made from notes, I am unable to accommodate you in your request for a copy of a speech relating to Northwest power. I am pleased, however, at the opportunity to discuss briefly with you the bases for my comments regarding the power situation in the Pacific Northwest, a subject which I know is of interest to both of us.

In replying as I did to a question at the Portland press conference involving the power situation in the Northwest I had assumed that my statement would be viewed as nothing more than confirmation of the consensus of opinion in that area in light of the overall increased power production capacity during the past several years. To demonstrate, first, my point that my statement reflected rather widespread local belief I would like to quote from sources located in your own State of Oregon and then make brief reference to official records of this Department upon which I based my conclusions.

Almost exactly 6 weeks before my Portland press conference the Portland Journal carried an article on the same subject written by Editor at Large Tom Humphrey, the accuracy of which I have been unable to challenge. A story published in the Journal of December 29, 1957, carried the headline "Power Shortage End Promises Northwest Growth." I should like to quote excerpts from that article:

"Headline of the year, as far as many prospective new industries are concerned, is that this area's power shortage is over.

"Only exception is a possible lack for huge power users, in relation to employment, such as aluminum reduction—and expansion in that area isn't being contemplated anyway.

"Even median water conditions now will assure enough power, Federal and non-Federal combined, for all ordinary industrial and domestic demands in the next decade. * * * A power shortage, even in a critical water year, is unlikely before 1965-66 for this region.

"The optimistic figures are not guesswork or wishful thinking. They are the consensus of such power authorities as Dr. William Pearl, Bonneville Power Administrator, and Paul B. McKee, president of Pacific Power & Light. They are backed by thoroughgoing engineering studies and by the fact that seven Federal projects now under construction will increase capacity of the BPA system by more than 2 million kilowatts by June, 1967.

"Here is how Dr. Pearl puts it: 'We are no longer on a power shortage basis. Power now is available for any normal industrial demand. We are not entirely out of the woods, but the situation is much brighter than it was even a year ago.'

On January 31, 1958, in a speech before a City Club meeting in Portland, the chairman of the Oregon Water Resources Board, L. C. Binford referred to "the desperate need of the Northwest for power," and then declared—significantly it seems to me in light of your questioning of my statement—

"If all the hydro plants under construction or licensed are completed on schedule we may, except for bad water periods, have enough hydro power to keep up with the load until 1963."

It will be noted that this statement refers only to hydro power.

In its February, 1958 issue (vol. XII, No. 2, p. 1) of the bulletin, the Pacific Northwest Development Association carried this statement:

"Despite many obstructionary forces, during the past few years reclamation, flood control, river improvement, and conservation projects have been moving forward at a good rate. Energy producing projects, most of which are non-Federal, along with the Federal multipurpose projects, are now being constructed fast enough to meet the normal foreseeable needs for the next 5 or 6 years."

I turn now to summaries prepared within the Department by the Bonneville Power Administration and the Bureau of Reclamation and bearing on the subject of Pacific Northwest power. All of the figures given, as well as the attached tables, apply to the Federal and non-Federal powerplants in the West Group Area of the Northwest Power Pool, i. e., the area generally recognized as the area of operation of the Columbia River power system.

In terms of name plate ratings, the installed capacity in the West Group Area as of January 1958 stood at 7,602,000 kilowatts. An additional total of 4,995,200 kilowatts were actually under construction, of which 2,728,250 were Federal and 2,266,950 kilowatts were non-Federal. Kilowatts licensed by the Federal Power Commission for construction but not under way stood at 1,090,000; and,

finally, a total of 2,773,000 kilowatts were actively in the planning stages by non-Federal entities, that is, permit or license requests were pending before the Federal Power Commission.

This means that completion of projects now actually under construction will bring installed capacity before 1968 up to 12,597,200 kilowatts—for an increase of more than 65 percent in installed capacity during the 10-year period 1958-68.

To graphically illustrate the power supply outlook for the Northwest Power Pool, west group area, and for use in its mid-March presentation before the House and Senate Appropriations Committees, the Bonneville Power Administration prepared three tables, and makes this comment concerning them:

"Based on current generation schedules and use of total available resources, all firm loads in the area can be carried each year up to the fall of 1965. Actually, during this period there will also be available sufficient resources to carry all, or most, of the interruptible loads under critical conditions. Beginning with the 1965-66 storage draw-down season, new resources will be needed to meet the load requirements."

The three charts, copies of which are attached, show load estimates, loads and resources (hydro only, 1958 through 1967), and loads and resources (all resources, including steam and imports, 1958 through 1967).

Chart A, attached, gives the load growth estimate for the Northwest Power Pool. The estimate closely follows that of the Federal Power Commission.

Chart B, attached, shows firm and interruptible loads of the area. Except for the winter of 1958-59, practically all firm loads can be carried by hydro resources alone up to the fall of 1963 under critical water conditions, BPA advises; both firm and interruptible loads can be carried with hydro alone to 1965 under median water conditions, and even in 1965 most interruptible can be carried.

Chart C, attached, shows the same firm and interruptible loads of the area. This shows, according to BPA, that all firm loads and a substantial part of interruptible loads can be carried up to 1965 under critical conditions through use of all available resources, including steam and imports; under median conditions there is a substantial surplus up to 1967 for this condition.

There is also attached a copy, made available only last week, of the 1957 Report, United States Columbia River Power System, containing the details of the financial results of operations, summary of operations, and the auditors' report after two decades of development.

Taken together, these constitute some of the bases for my recent statements at Portland.

None of us, it seems to me, can afford to relax our efforts to assure full development of power resources in the Pacific Northwest. To that end, this Department is constantly reviewing and reassessing its forecasts and projections of power requirements and power capacity in that area. And, based on the best advice obtainable to me—from both in and out of Government—I can only equate the data available into my conclusions that I do not see that the Pacific Northwest faces a power shortage in the immediate future.

Your interest in this matter of such direct concern to the Department is appreciated.

Sincerely yours,

Secretary of the Interior.

PANAMA CANAL: OBJECT OF IRRESPONSIBLE POLITICAL EXTORTION

The SPEAKER. Under previous order of the House, the gentleman from

Pennsylvania [Mr. Flood] is recognized for 10 minutes.

Mr. FLOOD. Mr. Speaker, in the course of my previous addresses to the House on the Panama Canal, I have developed at length the pattern of demands that have been so strenuously pressed by extreme and radical elements in the Republic of Panama. Yet, their full scope was not publicly revealed until the recent visitation there, July 12-16, 1958, by Dr. Milton Eisenhower as special representative of the President of the United States.

Published after arrival of Dr. Eisenhower, the demands include not only the officially expressed views of the Panamanian Government but also those of Panama university students. The latter call for what is termed a "fundamental revision" of the basic canal treaties.

Though not reported comprehensively in the press of the United States, the story of the Eisenhower mission has been well covered in the press of Panama and summarized in news stories in a few United States newspapers by informed American correspondents resident on the isthmus. These accounts I have now had an opportunity to study, and shall include in my remarks so that they may be examined by all in authority.

It is pertinent here to state that when the late President Jose A. Remón, of Panama, was confronted with political interferences on the part of university students, he took effective measures to keep them out of politics. Yet, recently in Panama, even during the visit of Dr. Eisenhower, university students have been injecting themselves not only into matters of domestic concern but, as well, into questions of foreign policy affecting the relations of that country with the United States. To describe these demands with candor, they constitute irresponsible political extortion. If acceded to they can only produce new demands for greater extortion.

Though the range of the demands is extensive, there are three of special significance, emphasized in the Spanish press of Panama:

One. Closing down of all business activities in the Canal Zone.

Two. Flying of the Panamanian flag in the Canal Zone and on vessels in transit.

Three. Adopting Spanish as the official language in the Canal Zone.

As to the operation of business enterprises in the Canal Zone, these are absolutely essential for Panama Canal and other United States personnel, including the Armed Forces.

The flying of the Panamanian flag in the Canal Zone and on vessels in transit would constitute a symbol of sovereignty that does not in fact exist. If this demand were ever acceded to, it would be followed immediately by others for mineral oil, and gas explorations, farming and miscellaneous business enterprises, as well as for settlement of all lands in the Canal Zone not in actual use for canal or defense purposes.

In this connection, Mr. Speaker, President Taft, by Executive order of December 5, 1912, pursuant to the Panama

Canal Act of 1912 and in conformity with treaty, declared that—

All land and land under water within the limits of the Canal Zone are necessary for the construction, maintenance, operation, protection and sanitation of the Panama Canal.

Title to all such land was acquired by the United States, making the Canal Zone a Government reservation. Every consideration requires the continuation of this policy not only for the best interests of Panama but also for the future well-being of the great project from which Panama derives the major part of its income. Furthermore, without this authority of the United States over the Canal Zone it would be impossible to operate the Panama Canal.

As for the third point, the proposal for adopting Spanish as the official language of the Canal Zone is obviously designed to force out North Americans from employment in the canal enterprise. Its effect, however, would not stop there for any such language requirement would necessarily apply to civilian employees of the Armed Forces engaged in protecting the canal. In either case, it would introduce security situations too complicated to comprehend.

The Panama Canal, Mr. Speaker, is an interoceanic public utility operated by the United States pursuant to law and treaty. It is a business proposition entirely distinct from the Republic of Panama for the benefit of world commerce. As such it must be prevented from becoming the victim of further political extortion.

Because many Panamanian leaders, when presenting their case, have repeatedly quoted former Secretary of War William H. Taft out of historical context, I wish to set the record straight as to what his exact views on the sovereignty question were.

In an address on the Panama Canal work, delivered in New Orleans, February 9, 1909, when he was President-elect of the United States, he included the following statement:

It is said that the Lord looks after children and drunken men. Well, I think we ought to include the United States, too. * * * If the Hay-Herrán Treaty of 1903 had been confirmed by the Colombian Senate, a failure to do which aroused our national indignation, we would not have been at all in the favorable position we are now to complete that canal.

Because under the treaty with Panama we are entitled to exercise all the sovereignty and all the rights of sovereignty that we would exercise if we were sovereign, and Panama is excluded from exercising any rights to the contrary of those conceded to us. Now that may be a ticklish argument, but I do not care whether it is or not. We are there. We have the right to govern that strip, and we are going to govern it. And without the right to govern the strip, without the power to police it, and without the power to make the laws in that strip bend, all of them, to the construction of the canal, we would not have been within 2 or 3 or 4 years, hardly, of where we are in the construction.

Now, Mr. Speaker, those unqualified words of President-elect Taft, who, as Secretary of War, had been confronted with Panamanian sovereignty demands

are even more applicable today than they were then. First, because of 50 years of interpretation and application of the policy thus defined by President Taft and because the Panama Canal is now one of the two principal commercial crossroads of the world.

Once again, Mr. Speaker, I wish to emphasize the urgency for a Congressional policy declaration on the Panama Canal sovereignty question, for which purpose I introduced in the last session House Concurrent Resolution 205, the text of which was last published in my remarks in the RECORD of July 15, 1958.

In order that the story of the Eisenhower mission to Panama and its impact as described in the Latin American press and as interpreted by resident North American reporters may be adequately recorded, I include as part of these remarks the following selected news stories:

[From the Star and Herald, Republic of Panama, of July 14, 1958]

REPUBLIC OF PANAMA FLAG ISSUE LAID BEFORE DR. EISENHOWER—DE LA GUARDIA CITES NEED OF ECONOMIC AID—3-HOUR WORK SESSION HELD BY TEAMS OF PANAMA AND UNITED STATES OFFICIALS SUNDAY AFTERNOON

President Ernesto de la Guardia, Jr., told Dr. Milton Eisenhower yesterday that flying the Panamanian flag in the Canal Zone would contribute to a better moral climate for cooperation between Panama and the United States.

The proposal was made by the Panamanian Chief Executive at a 3-hour work session which he and his advisers held with the brother of the President of the United States at the Hotel El Panama. Dr. Eisenhower is in Panama on a fact-finding mission for his brother which will take him to Central America and Puerto Rico.

A communique issued by the Presidential press office listed, in outline form, a wide range of subjects discussed at the conference between President De la Guardia and Dr. Eisenhower and their high-level advisers. The topics were listed under three main headings: Contractual relations between the United States and Panama; creation of a better moral climate of cooperation between the peoples of Panama and the United States; and problems of economic and social development of Panama.

The Panama Government's announcement did not give details of the discussions, nor did it even suggest what was the reaction of Dr. Eisenhower and his advisers.

Dr. Eisenhower himself declined to give any details of the discussions, saying only that the Panamanian officials "presented their views on a great many problems" and that there would be "more to follow" when he goes deep-sea fishing with the President tomorrow.

He said that when he has completed his study tour of Central America he expected to make recommendations to his brother. He indicated these probably would be an extension of the recommendations on United States policies which he made in a report on his South American tour in 1953.

President De la Guardia's reference to the flag issue recalled that there has been agitation recently in Panama—particularly by students—for flying the Panamanian flag in the Canal Zone in recognition of Panama's claim of sovereignty over that strip of land.

Previous requests by Panama along that line have been turned down by the United States Government. The last time the question was formally raised was during the negotiations for the Remón-Eisenhower treaty of 1955.

On May 2, the University Students Union carried out "Operation Sovereignty" in the Canal Zone. It consisted of planting around 70 Panamanian flags in Canal Zone territory. At a student demonstration in connection with that operation, President De la Guardia pledged that his administration would take the matter up officially with the United States. The matter was referred to the National Council of Foreign Relations and yesterday's proposal by the President was the first official mention of the issue since that time.

The communique did not give details of the President's proposal. In listing the points which the President submitted to Dr. Eisenhower, the communique said:

"B. Creation of a better moral climate of cooperation between the peoples of Panama and the United States. The national flag of Panama in the Canal Zone and the adoption of Spanish as the official language."

The text of the communique issued by the Presidential press office is as follows:

"In an atmosphere of the greatest cordiality, the President of the Republic and members of his cabinet reviewed fully with Dr. Milton S. Eisenhower and his party, the relations between Panama and the United States for the purpose of arriving at means of strengthening them on the basis of the gains made along that way up to the present, particularly in connection with the approval by the Congress of the United States of the laws required for the implementation of the 1955 agreements, in which measures the action of President Eisenhower has been decisive.

"Immediately after that, the President of the Republic submitted to Dr. Eisenhower the following points:

"A. Contractual relations between the United States and Panama.

"1. Fair interpretation of the agreements in force.

"2. Guaranteeing the Canal Zone market to Panamanian commerce and industry. Purchases by the Canal Zone in Panama (Items 8 and 9 of the Memorandum of Understandings Reached). Cessation of economic activities other than those connected with the purposes for which the Canal treaty was signed.

"3. Rates for supplying water to Panama.

"4. The single wage scale.

"5. Refund of import duties on liquors sold to the Canal Zone.

"B. Creation of a better moral climate of cooperation between the peoples of Panama and the United States. The flag of Panama in the Canal Zone and the adoption of Spanish as the official language.

"C. Problems of economic and social development of Panama.

"1. The United States should have primary interest in Panama's development of its full economic possibilities as the only means of meeting the needs and requirements of a rapidly growing population.

"2. The Panamanian State and its obligations with regard to economic development and the furnishing of education, health and social improvement services.

"3. Mutual advantage for the United States and Panama from a plan for cooperation and economic aid, on an emergency basis, in some cases, and on a long-range basis, in others, for the immediate improvement of the unemployment situation and for enlarging and strengthening the basis of Panamanian economy.

"4. An economic cooperation plan.

"With respect to the economic cooperation plan, the President of the Republic divided it into two parts, one referring to funds for an emergency program and the other to long-term measures connected with the future development of the country. The President of the Republic submitted to the consideration of the visitors various projects prepared by the National Government, some of which

were examined in detail and all of which awakened such interest that it was agreed that they would be discussed more fully before Dr. Eisenhower's departure."

The work session at the Hotel El Panama was attended by:

In the Panama team: President De la Guardia, Foreign Minister Miguel Moreno, Jr., Minister of Government Max Heurtematte, Minister of Finance Fernando Elea, Minister of Public Health Heracilio Barletta, Minister of Agriculture and Commerce Alberto Boyd, Minister of Education Carlos Sucre, Minister of Public Works Roberto Lopez, Comptroller General Roberto Heurtematte, Ambassador to Washington Ricardo Arias, and Administrative Assistant to the President Inocencio Galindo.

In the United States team: Dr. Eisenhower; Roy R. Rubottom, Assistant Secretary of State for Inter-American Affairs; Dempster McIntosh, Managing Director of the Development Loan Fund; Tom Coughran, Assistant Secretary of the Treasury; Samuel C. Waugh, President of the Export-Import Bank; United States Ambassador to Panama Julian F. Harrington, and Lt. Col. Vernon Walters, who acted as interpreter.

Dr. Eisenhower and President De la Guardia were together for 4½ hours in a meeting that started with a luncheon in a private dining room of the Hotel El Panama and then moved to the presidential suite. Three hours of that time were devoted to a discussion of Panama's problems.

Dr. Eisenhower's official program for Sunday started at 10 a. m., with a courtesy call on President De la Guardia at the Presidential Palace. The automobile ride along Central Avenue was uneventful. There was scattered applause at some points. Some spectators complained that the official motorcade traveled too fast.

In the Yellow Hall of the Presidential Palace, Dr. Eisenhower presented De la Guardia with a glass cigarette box and ash tray, a gift from President Eisenhower.

Then Dr. Eisenhower went to the Canal Zone to call on Governor W. E. Potter (who had returned from Washington at 6 a. m., Sunday) and Lt. General Ridgely Gaither, Commander-in-Chief of the United States Caribbean Command.

Governor Potter said Dr. Eisenhower asked for background information on some questions he expected would be raised at his meeting last evening with representatives of Canal Zone non-United States-citizen labor unions. These included housing and wage rates. Potter said Dr. Eisenhower also made an inquiry on a Panamanian complaint about the importation of beef in the Canal Zone. The Governor quoted figures of 1 million pounds of Panamanian beef purchased annually by the Canal Zone as against 50,000 pounds of imported beef.

General Gaither said he and Dr. Eisenhower discussed the weather in Baltimore. Both are Baltimoreans.

The afternoon was devoted to the work session, which was followed by the conference with the labor delegation.

In the evening, Dr. Eisenhower and his daughter, Ruth, were guests of honor at a dinner tendered in the Balboa Room of El Panama by President and Mrs. De la Guardia.

Dr. Eisenhower's program for today will be announced this morning. It is known, however, that he will make a trip through the Panama Canal accompanied by Roberto Heurtematte, Panama's Comptroller General, and Ricardo Arias, Ambassador to Washington.

WILL DISCUSS LABOR'S ISSUES WITH ZONE, SAYS EISENHOWER

Dr. Milton Eisenhower yesterday promised to take up with Canal Zone officials a seven-point memorandum listing wage and treat-

ment issues raised by representatives of non-United States citizen labor.

President Eisenhower's brother received the labor delegation, composed of officers of locals 900 and 907, AFL-CIO, at the United States Embassy residence where he is staying during his visit in Panama.

Elimination of the segregation that still exists in the Zone was one of the issues voiced by the labor group.

"You gentlemen," Dr. Eisenhower told the group, "probably realize that my brother has perhaps done more than any other President to do away with segregation. He is opposed to segregation but you gentlemen realize you cannot change the minds of all the people at one time."

The local-rate labor delegates also presented their bid for a 10 percent wage hike to match that recently awarded the classified civil service employees. They disagreed with the policy of fixing wages based on the area of recruitment. They described to him the unions' low-cost housing project.

The group which called on Dr. Eisenhower included W. H. Sinclair, AFL-CIO international representative, Harold W. Herrie, president of local 900; Alfred J. Morris, president of local 907; Jose de la Rosa Castillo and Ricardo Martin.

Dr. Eisenhower was accompanied by Under Secretary of State Roy Rubottom; Dempster McIntosh, managing director of the Development Loan Fund Corp.; United States Ambassador to Panama Julian F. Harrington and Robert Cox, labor attaché of the Embassy.

The labor group later said it had received the following statement from an Embassy representative: "Dr. Eisenhower, as personal representative of the President of the United States, has invited you into his temporary home in Panama to discuss problems with him and to assist him in his fact-finding mission. Certainly no official or employee of the United States Government would attempt to detract in any way from this effort either now or in the future."

The seven points submitted by the labor group to Dr. Eisenhower were:

1. A 10-percent wage increase for all Panamanian employees in the Canal Zone who will not receive any substantial increase from the application of the single wage scale.

2. That the adjustment of incumbents into the single-wage structure be made according to the grade and step presently held by the incumbent so as to protect his seniority.

3. We disagree with the present policy of fixing wages based on the area of recruitment. Experience has taught us that this is not the most practical or fair method. The Panamanian Government fully supports this point of view.

4. It is necessary that the United States Government support and back the efforts of AFSCME, AFL-CIO, and the local unions to put over their low-cost housing project for Panamanian workers in the Canal Zone.

5. The elimination of segregation that still exists in the Canal Zone.

6. More support to Panamanian union in the Canal Zone, by United States Government agencies.

7. We insist that Panamanian workers in the Canal Zone should have representation on the Canal Zone Board of Appeals.

Text of the unions' statement on the conference with Dr. Eisenhower is as follows:

"AFSCME, AFL-CIO international representative William H. Sinclair said last night that he and other union officials who met with Dr. Milton Eisenhower and members of his delegation were very satisfied with the cordial manner and friendly atmosphere in which the conference was held.

"Harold W. Herrie, chairman and spokesman for Local 900 at the meeting, expressed great satisfaction in meeting with Dr. Eisenhower and the opportunity afforded to the

Canal Zone noncitizen labor groups to present their views on a number of issues.

"Both Sinclair and Rerrie agreed that Dr. Eisenhower expressed great interest in the low-cost housing project being sponsored by the international union for noncitizen workers of the Armed Forces and Canal Company Government. Dr. Eisenhower said that he had already received some information on the acute housing situation in Panama and was apparently definitely pleased with the efforts being made by the labor unions to help find a permanent solution to this tremendous problem.

"Dr. Eisenhower said he knew President Arnold S. Zander personally, which led union spokesmen to believe that the highest sources in Panama, the Canal Zone, and the United States will give full backing to the union's housing program which is scheduled to get underway as soon as the AFSCME's housing adviser arrives on the isthmus later this month.

"The question of a 10-percent wage increase for noncitizen workers in the Canal Zone, which was denied by the Canal Zone Administration recently, was also raised at the conference where union officials brought Dr. Eisenhower up to date on the steps already taken by the local unions in the zone and the international union in Washington.

"This and other matters raised at the conference by spokesmen for local 907 would be taken under advisement, Dr. Eisenhower said. He will discuss a number of the issues with local officials in the Canal Zone, then make a full report to his brother, President Dwight Eisenhower, when he returns to Washington.

"Spokesmen for local 900 and the international union were very firm in pointing out to Dr. Eisenhower that they want to see a labor man on the Canal Zone Board of Appeals. The House of Representatives recommended in H. R. 6708 that Canal Zone Panamanian employees be represented on the board.

"Sinclair and Rerrie insisted, however, that they did not want anyone on the board who would be a 'yes man,' but they wanted someone instead, preferably from noncitizen labor unions, who would stand up for the rights of the workers on all issues.

"Sinclair and Rerrie told Dr. Eisenhower they wanted a labor man on the board because if he did not do a good job they would want to remove him right away.

"The labor spokesmen were very elated, however, over the great interest Dr. Eisenhower expressed in connection with the low-cost housing project which is a point of superlative importance to the local union's and international union's platform."

REPUBLIC OF PANAMA STUDENTS REITERATE INVITATION

The University Students Union of Panama yesterday wrote Dr. Milton Eisenhower, reiterating its invitation for a meeting in the National University.

The union's letter was in reply to a communication from Dr. Eisenhower which turned down the students' demand that any meeting with him should be held in the university.

A United States Embassy spokesman said last night that Dr. Eisenhower will not reply to the students' letter and that the matter is regarded as closed.

The students' letter, which was delivered by hand to the United States Embassy residence at La Cresta, said:

"DEAR DR. EISENHOWER:

"The Union of University Students regrets that the tight schedule arranged for you, prior to your departure, by the United States State Department makes it impossible for you to accept the invitation that was cabled directly to you in Washington on July 11 at 9:58 p. m.

"We deplore that those responsible for arranging the program of conversations to

acquaint you with the problems of the respective countries that you are visiting should fix the site for these at the Embassy residence, which, under international agreements, is territory under the jurisdiction of the country it represents.

"We reiterate to you our invitation to the National University at your convenience or when you are not traveling on such a 'tight' schedule as you mentioned in your letter yesterday, and under the same arrangements; namely, accompanied by your personal escort and under our protection."

[From the Star and Herald, Republic of Panama, of July 15, 1958]

EISENHOWER, STUDENTS WAIT FOR EACH OTHER—RECTOR KEEPS APPOINTMENT AT EMBASSY HOME—DISCUSSIONS WITH PANAMA OFFICIALS WILL CONTINUE TODAY DURING ALL-DAY FISHING TRIP

Dr. Milton Eisenhower and his Panamanian colleague, Dr. Jaime De la Guardia, rector of the National University, had a friendly chat last evening, but students stayed away from the meeting at the United States Embassy residence. Instead, they waited for Dr. Eisenhower to show up at the university.

Dr. Eisenhower, who is president of the Johns Hopkins University, and the University Students Union had exchanged invitations to meet, but at different places. He is on a fact-finding tour for his brother, the President of the United States. He declined to come to the university campus because of a tight schedule. The students refused to go to the Embassy residence at La Cresta because that technically is foreign territory.

The invitation from Dr. Eisenhower was for a delegation of students, plus the university rector. Only Dr. De la Guardia showed up. They had a friendly chat about their administrative responsibilities as university heads.

Yesterday's program for Dr. Eisenhower still listed at 6:30 p. m. appointment with a student group at the Embassy residence, despite student announcement that it would not be kept. At that hour a delegation of five students waited for him in the university administration building atop a hill in plain sight of his temporary home.

The students, who are at odds with the Panamanian Government, enforced their own security precautions and posted armed student guards in the campus area. They had announced that members of neither the Panama National Guard nor the secret police would be permitted on the campus as security guards for Dr. Eisenhower.

For the benefit of photographers, the student delegation that was to have met with Dr. Eisenhower sat down around the table set aside for the meeting. At the head of the table was an empty chair with the sign "Mr. Eisenhower." The student delegation was composed of Virginia Ramirez and Ricardo Quiroz, of the Union of High School Students; Julio Rovi and Carlos Arellano, of the University Students Union; and Blas Bloise, of the Federal Council of the Students Federation.

At noon yesterday, about three score students carrying posters demonstrated peacefully opposite the United States Embassy office building, which is in a different section of the city from the Embassy residence. One poster said: "Milton Go To the United States of America." Others dealt with Panama's claims of sovereignty over the Canal Zone and with student demands for a 50-50 split of Canal revenue between the United States and Panama. Still others made reference to allegations that the United States Armed Forces in the Canal Zone supplied arms to the National Guard during the disorders last May in which several students were killed.

The demonstrators dispersed 45 minutes later without incident after being informed by a National Guard officer that neither Dr. Eisenhower nor Ambassador Julian F. Harrington was in the building.

At that hour, Dr. Eisenhower was on a trip through the Panama Canal. He told newsmen last night that "if I had been there, I would have invited them to send a delegation in and discuss all they wanted to discuss."

Dr. Eisenhower has been on the isthmus since Saturday. Panama is the first stop in his study mission which will take him through the Central American countries.

The impasse with the university students about where to meet has been the only incident in his Panama visit. Of the students' refusal to visit him at the Embassy residence because it is foreign territory, Dr. Eisenhower said yesterday, "If I took the same attitude, I would not have come to Panama. I have discussed problems with various groups. Any delegation which the students may have sent would have been received as cordially as any of these groups."

Dr. Eisenhower declined to comment for publication on Panama's touchy proposal to have the Panamanian flag flown in the Canal Zone, but he said that in the discussions Sunday with President Ernesto de la Guardia, Jr., there was no suggestion of the revision of any of the treaties between Panama and the United States.

A student statement of topics which would have been discussed with Dr. Eisenhower listed the "fundamental revision" of those treaties as the main item. It gave the following as the "minimum aspirations" of students:

1. Express reaffirmation by the United States of the sovereignty of the Republic of Panama over the Canal Zone territory.
 2. Liquidation of the Panama Canal Company because it is a violation of the terms of existing treaties between the two countries.
 3. Substitution of the term "In perpetuity" in the 1903 Canal Treaty by a period which will be in keeping with the principles of international law.
 4. Sharing on an equality basis of economic benefits resulting from the canal enterprise.
 5. Express recognition of Panama's civil, penal, fiscal, and labor jurisdiction over nonmilitary affairs in the Canal Zone.
 6. Elimination of discriminatory policies in the Canal Zone.
 7. The free use by Panama of the terminal ports of Balboa and Cristobal.
 8. Enforcement in the Canal Zone of the principle of equal pay for equal work.
 9. Preferential use of the Canal Zone market for Panamanian industry and commerce. Elimination of private commercial companies in the Canal Zone.
 10. Raising of the Panamanian flag in the Canal Zone and recognition of Spanish as official language.
 11. Elimination of United States postage stamps and exclusive use of Panamanian postal service in the Canal Zone.
 12. Refund of the rentals collected by the United States on land formerly owned by the Panama Railroad Company.
- Under the heading, "Specific Items To Be Discussed with Dr. Milton Eisenhower," the students listed the following:
1. Release of Lester Greaves, who is serving a 50-year penitentiary term in the Canal Zone on a charge of rape.
 2. Elimination of military training for the National Guard, which should be limited only to police functions.
 3. Nonrecognition by the United States of dictatorships.
 4. Greater cooperation between the United States and Latin American countries to enable the latter to create their own economy.
 5. Hemispheric solidarity on a basis of equality and mutual cooperation.
 6. "Cessation of provocative and offensive acts on the part of Canal Zone residents and

Members of Congress of the United States against national dignity."

7. Ratification of the stand of the National Congress of Students for the nationalization of the Canal.

Student spokesman at the university contrasted the attitude of Dr. Eisenhower, a university man, of refusing to come to the campus with that of Vice President RICHARD M. NIXON who braved stones to talk with South American students.

Dr. Eisenhower's discussion with Panamanian officials will continue today during an all-day deep-sea fishing trip to which President Ernesto de la Guardia, Jr., has been invited.

He and the President met for 3 hours Sunday to discuss a wide range of problems. These referred to relations between Panama and the United States and to economic aid. Of his discussions with the President, Dr. Eisenhower said yesterday:

"We had a most helpful visit with the President and we will continue it tomorrow (Tuesday) during the fishing trip. A large part of the discussion dealt with Panama's economic situation and with plans of the Panamanian Government which would call for immediate short-term and long-term help."

Some of the Panamanian Government's proposals, Dr. Eisenhower declared, may be "quite eligible" for private financing.

"I have no doubt," he added, "that other projects will be developed with a view to obtaining credit from other sources, such as the Export-Import Bank, the Development Loan Fund, or the World Bank."

He remarked that he considered "the presentation by President De la Guardia and his associates thorough and well thought through." He added that he thought that those projects which would require credit "all would be repayable."

Dr. Eisenhower said that most of the subjects of discussion dealt with the aspirations of the Panamanian leaders to better the economic conditions of the people.

Today's fishing trip will bring to a close Dr. Eisenhower's official visit to Panama. He leaves early Wednesday for Tegucigalpa, Honduras, where his arrival is scheduled for 10 a. m.

Dr. Eisenhower spent practically the entire day yesterday in the Canal Zone, observing the operation of the waterway and visiting military installations.

He first stopped at Miraflores locks, where Governor W. E. Potter and Marine Superintendent W. S. Rodiman acted as tour directors. The party then traveled to Pedro Miguel to embark on the canal tug *Culebra* for a 3-hour trip through the cut and across Gatun Lake.

Lunch was served aboard the tug.

From the Gatun boat landing, Dr. Eisenhower and his party were taken on a tour of Army installations which included the United States Army Caribbean Latin American School at Fort Gulick, the Jungle Warfare Training Center at Fort Sherman, and the historic Fort San Lorenzo.

Dr. Eisenhower's party consisted of 26 persons. Guests included Roberto Heurtematte, Comptroller General of Panama; Fernando Elea, Minister of Finance, and Ricardo Arias, Panamanian Ambassador to Washington.

At a briefing for newsmen later, a Panama Canal spokesman said the canal trip afforded an opportunity for Dr. Eisenhower and Governor W. E. Potter to discuss items pertaining to the Canal Zone which were raised by President De la Guardia at the work session Sunday with Dr. Eisenhower.

The spokesman said Dr. Eisenhower showed considerable interest in the mechanics of the waterway and that he was impressed by the durability of the 50-year-old waterway.

An Army representative said Dr. Eisenhower expressed interest in the activities of

the Latin American School to acquaint Latin American officers with United States-style democracy.

The party returned to the Pacific side by military plane at 4 p. m.

The meeting with University Rector Jaime de la Guardia was next on Dr. Eisenhower's schedule.

In the evening, United States Ambassador and Mrs. Julian F. Harrington tendered a dinner in honor of President De la Guardia and Dr. Eisenhower. This was followed by a reception for 100 additional guests.

[From the Panama American of July 14, 1958]

REPUBLIC OF PANAMA STUDENTS PICKET UNITED STATES EMBASSY—QUIT WHEN TOLD EISENHOWER, HARRINGTON TRANSITING CANAL

About 50 Panamanian high-school students picketed the United States Embassy in Panama City this afternoon carrying placards proclaiming "Milton, the Canal Is Ours," "50 percent of the Canal" (a reference to the claim that the United States should split the gross revenue of the canal 50-50 with Panama) and "We Don't Want Communism."

Later they displayed their signs along the 4th of July Avenue, at the National Institute.

They announced their intention of remaining at the Embassy till they saw Dr. Milton Eisenhower or United States Ambassador Julian F. Harrington. A National Guardia prowl car detachment led by Maj. Bartolomé Carrión moved them back from the entrance to the Embassy, but told them they could stay across the street in the sun if they wished. Carrión also told them that Eisenhower and Harrington were transiting the canal today, and would not be at the Embassy. The pickets left shortly afterward.

Meanwhile, University Student Union president Carlos Arellano Lennox announced that the university students would be all ready to greet Eisenhower at the University at 6:30 this evening. The students would institute their own security precautions for Eisenhower on the campus of the autonomous university, Arellano announced.

Eisenhower will not be there. An Embassy spokesman announced that following the students' refusal yesterday to send a delegation to meet Eisenhower in the United States Embassy residence on La Cresta (El Panamá Milton) this evening, Eisenhower regarded the matter as closed.

The students stated that their refusal to meet Eisenhower there was based, among other reasons, on the fact that the Embassy residence is technically United States rather than Panamanian territory.

Eisenhower and Harrington, together with the Canal Zone Gov. William E. Potter, marine director, Capt. W. S. Rodiman, Eisenhower's daughter, Ruth, who is acting as his official hostess on his present trip, Mrs. Potter, Mrs. Harrington, other members of the Eisenhower team and representatives of the Canal Zone brass were aboard the Panama Canal Company tug, *Culebra*, enjoying a sunny day on the glistening waters of the canal between Pedro Miguel locks and Gatun. Also on the trip were Ricardo Arias, Panama's Ambassador to the United States, and Finance Minister Fernando Elea.

The lunch on board would not be quite the same as regular clubhouse fare, Potter allowed.

Commanding the bright, shiny *Culebra* is Capt. Edward K. Willborn, who has A. T. Van Gelder as engineer, and a crew of 10.

After arriving at Gatun this afternoon the Eisenhower party was scheduled to visit the USARCARIB Latin American School at Fort Gulick and the Jungle Warfare Training School at Fort Sherman.

They were to fly back to Albrook from the small Fort Sherman strip by military light aircraft.

Tonight Harrington is giving a dinner for Eisenhower and President Ernesto de la Guardia, Jr. This dinner will be followed by a reception.

Tomorrow the Eisenhower party, top military and civilian brass from the Canal Zone, along with President De la Guardia and many of his top officials are to put out to Panama Bay on the most brass-bound fishing expedition known in their area for years.

Discussion on the trip is likely to include money and marlin, collateral and corbina, sovereignty and sailfish, as the party informally carries on the closed-door session which ran into 90 minutes overtime at El Panama Hilton yesterday.

The United States team at yesterday's session consisted of Eisenhower, Harrington, Assistant Secretary of State for Latin American Affairs Roy R. Rubottom, Assistant Secretary of the Treasury Tom B. Coughran, Export-Import Bank President Samuel C. Waugh, and Development Loan Fund Manager Dempster McIntosh.

At the table for Panama were President De la Guardia, Panamanian Ambassador to the United States Ricardo M. ("Dicky") Arias, Foreign Minister Miguel J. Moreno, Jr., Treasury Minister Fernando Elea, Minister of Government and Justice Max Heurtematte, and Comptroller General Roberto Heurtematte.

Other members of the De la Guardia cabinet sat behind the Panama team.

An official Panamanian Government statement later announced that President De la Guardia presented the following points to Eisenhower:

"A. Contractual relations between the United States and Panama.

"1. Fair interpretation of the agreements in force.

"2. Guaranteeing the Canal Zone market to Panamanian commerce and industry. Purchases by the Canal Zone in Panama (Items 8 and 9 of the Memorandum of Understandings Reached). Cessation of economic activities other than those connected with the purposes for which the Canal Treaty was signed.

"3. Rates for supplying water to Panama.

"4. The single wage scale.

"5. Refund of import duties on liquors sold to the Canal Zone.

"B. Creation of a better moral climate of cooperation between the peoples of Panama and the United States. The flag of Panama in the Canal Zone and the adoption of Spanish as the official language.

"C. Problems of economic and social development of Panama.

"1. The United States should have primary interest in Panama's development of its full economic possibilities as the only means of meeting the needs and requirements of a rapidly growing population.

"2. The Panamanian State and its obligations with regard to economic development and the furnishing of education, health, and social improvement services.

"3. Mutual advantage for the United States and Panama from a plan for cooperation and economic aid, on an emergency basis, in some cases, and on a long-range basis, in others, for the immediate improvement of the unemployment situation and for enlarging and strengthening the basis of Panamanian economy.

"4. An economic cooperation plan."

The Panamanian Government statement said Mr. De la Guardia divided his economic cooperation plan into two parts.

One part referred to funds for an emergency program, and the other to long-term measures connected with the future development of Panama.

Arellano Lennox said today that the reference to the flying of the Panamanian flag in the Canal Zone was just what the university students had in mind when they launched "Operation Sovereignty," the flag planting

foray into the Canal Zone May 2. He added that a Panama University student convention 2 years ago had resolved that Spanish should be the official language of the Canal Zone.

A student spokesman also denied that the university students intended to exploit Eisenhower's refusal to meet them in the university.

The spokesman said: "To exploit implies the use of coercion to force the acceptance of our ideas. This would mean conducting the student movement along lines contrary to the principles of a democratic organization. We reject such conduct."

"On the other hand, upon seeing it played up in certain North American newspapers that the University Students Union is led by Communist principles, we want to make it clear once and for all that while the university includes students of all shades of political opinion, the University Students Union has maintained an all-out fight against the Communist philosophy and against everything that means totalitarianism."

The current issue of "The University Voice," a newspaper published by the Students Union, describes the present government of Panama as being "infiltrated by confessed and repentant Communists." The publication declared, presumably in reply to charges that there is communism in the student movement, "Communism is in the government, not in the student movement. The knowledge escapes no one that an avowed Marxist is to be found behind the Presidential chair."

This is taken to be a reference to Presidential adviser Diogenes de la Rosa.

The Eisenhower appointment yesterday with greatest impact on the Canal Zone was probably his meeting at La Cresta with representatives of locals 900 and 907 of the American Federation of State, County, and Municipal Employees, AFL-CIO.

Calling on Eisenhower were local 900 president Harold A. Rerrie; local 907 president Alfred J. Morris; AFSCME international representative William H. Sinclair; local 907 secretary-treasurer Ricardo Martin, and local 907 adviser Jose de la Rosa Castillo.

They presented to Eisenhower the following list of their aspirations:

1. A 10-percent wage increase for all Panamanian employees in the Canal Zone who will not receive any substantial increase from the application of the single wage scale.
2. That the adjustment of incumbents into the single wage structure be made according to the grade and step presently held by the incumbent so as to protect his seniority.
3. We disagree with the present policy of fixing wages based on the area of recruitment. Experience has taught us that this is not the most practical or fair method. The Panamanian Government fully supports this point of view.
4. It is necessary that the United States Government support and back the efforts of AFSCME, AFL-CIO, and the local unions to put over their low-cost housing project for Panamanian workers in the Canal Zone.
5. The elimination of segregation that still exists in the Canal Zone.
6. More support to Panamanian Union in the Canal Zone, by United States Government agencies.
7. We insist that Panamanian workers in the Canal Zone should have representation on the Canal Zone Board of Appeals.

In answer to a question by Eisenhower, the union leaders conceded that in their viewpoint the segregation situation in the Canal Zone had improved considerably over the last 5 or 6 years.

Eisenhower told them his brother, President Dwight D. Eisenhower, was strongly opposed to segregation, and had probably done more to eliminate it than any other American President. "But," said Eisenhower,

"It was well known that the minds of all the people could not be changed at one time."

Sinclair said today that Eisenhower told union leaders that final passage of the single wage bill is only a routine matter now.

Sinclair added that he and other members of the labor groups were very pleased with the cordial and friendly atmosphere in which the conference was held.

Rerrie expressed great satisfaction in meeting with Eisenhower and members of his delegation and the opportunity afforded to the Canal Zone noncitizen labor groups to present their views on a number of issues.

According to Sinclair, Eisenhower "expressed great interest in the low-cost housing project being sponsored by the International union for noncitizen workers of the Armed Forces and the Panama Canal Co. Eisenhower said he had already received some information on the acute housing situation in Panama and was apparently definitely pleased with the efforts being made by the labor unions to help find a permanent solution to this tremendous problem."

In a statement issued by Sinclair he said: "Union leaders felt particularly happy over the fact that Eisenhower knows AFSCME President Arnold S. Zander personally, which made them feel that the highest sources in Panama, the Canal Zone, and the United States will be backing the housing project, scheduled to get under way with the forthcoming arrival of Martin Frank, housing adviser to the union, and Thomas Morgan, international director of organization for AFSCME."

"Rerrie informed Eisenhower of the actions taken locally and in Washington in connection with the unions' bid for a wage increase of 10 percent, equal to that recently received by United States citizens employed in the Canal Zone and particularly since the single wage bill will not provide for any overall wage increases for the vast majority of workers who will remain on locality rates."

According to the statement, "Sinclair and Rerrie were very firm in pointing out to Dr. Eisenhower that they wanted to see someone representing zone workers appointed to the Canal Zone Board of Appeals as set forth in the suggestions made by members of House Committee on Post Office and Civil Service in H. R. 6708."

"They stated that they did not want to see a yes man appointed to the Board, but instead they wanted someone, preferably a labor man, placed on the Board who would stand up for the rights of the workers at all times, and be removed in the event he fails to do so. The union officials said the White House will hear a great clamor if this important suggestion made by the House of Representatives is bypassed."

"Other matters raised by spokesmen of local 907 in connection with discrimination, support of labor unions in the zone by Government agencies, the fixing of wage rates and adjustment in the single wage structure, would be discussed locally and a full report on the entire conference will be made to President Eisenhower, Eisenhower said."

"Another important issue in which the local unions are now interested cover the reduction or elimination of a 30-percent tax levied against aliens receiving civil service retirement benefits was not discussed at the conference yesterday, but was referred to the Foreign Minister for him to take up with Eisenhower, inasmuch as this would involve a tax treaty or convention between the two Governments."

"The Foreign Minister promised to discuss the matter with Eisenhower and take the necessary steps to seek an agreement which would benefit all those employees who will be covered by the civil service retirement benefits in the future and those who are already receiving such benefits."

Social highlight of yesterday's schedule was a dinner given by President De la Guar-

dia at El Panama-Hilton last night for Eisenhower and a total of 57 guests.

Eisenhower had entertained the President and his cabinet at lunch.

The Panama Canal tugboat *Culebra*, which is often used to take tourists on sightseeing tours of the canal was decked out like a Mississippi riverboat to receive the distinguished passengers.

She was all gleaming brass and fresh paint and under the canopy on the afterdeck, green canvas chairs were set out together with tables decked with shining silver coffee pots and refreshments.

The Eisenhower party arrived on schedule at 9:15 a. m. in a motorcade of black official cars which drove down onto the wharf by Pedro Miguel Locks where the *Culebra* was waiting.

Potter had arrived a few minutes earlier and was the first to greet Eisenhower and his daughter, Ruth, at the gangway.

Eisenhower, wearing a sports shirt and a Panama hat, lost no time in getting aboard and was moving around chatting informally with the other guests as the tug steamed away up the Canal in brilliant sunshine.

[From the Americas Daily, Miami Springs, Fla., of July 15, 1958]

UNITED STATES MISSION GETS PANAMA'S ECONOMIC PLAN

PANAMA.—The Presidential Office published last night the following communique on the conference held yesterday between the United States mission presided by Dr. Milton Eisenhower and a group of Panamanian officials presided by President de la Guardia:

"In an atmosphere of the greatest cordiality, the President of the Republic and the members of the Cabinet extensively revised with Dr. Milton Eisenhower and his group the relations between Panama and the United States, with the aim of finding ways to strengthen them, on the basis of the progress made to date, in particular regarding approval by the United States Congress of the laws necessary to bring into effect the agreements of 1955 measures in which the intervention of President Eisenhower has been decisive."

"Immediately after, the President submitted to Dr. Eisenhower the following points:

"Paragraph A. Treaty relations between the United States and Panama.

1. A fair interpretation of agreements in effect.
2. Guaranty of the Canal Zone market for Panamanian commerce and industry.
3. A rate for supply of water to Panama.
4. A single wage scale (in the Canal Zone).
5. Refund of import duties for liquors sold in the Canal Zone.

Paragraph B. Creation of a better moral climate of cooperation between the peoples of Panama and the United States.

The flag of Panama in the Zone and adoption of Spanish as the official language.

Paragraph C. Problems of economic social development:

1. The United States must take primary interest in the development of all Panamanian economic possibilities as the only way to face the needs and demands of her population, which is rapidly increasing.

2. The Panamanian state and development, rendering services its obligations regarding economic in education, health and social improvement.

C. Reciprocal convenience for the United States and Panama of a plan of cooperation and emergency economic aid in some cases and at long term in others, to improve immediately the situation of unemployment and to expand and strengthen the foundations of Panamanian economy.

"The President submitted to the consideration of the visitors several projects drafted by the National Government, some of which were examined in detail and all of which awakened interest, to the point that it was

agreed to discuss them more thoroughly before Dr. Eisenhower's departure.

[From the Christian Science Monitor of July 15, 1958]

PANAMA VIEWS EXPLORED—DR. EISENHOWER FISHES

(By Ralph Skinner)

PANAMA CITY, PANAMA.—In a double sense, it was a fishing expedition.

United States Government planes flew Dr. Milton S. Eisenhower and his party with Panama President De la Guardia and advisers to an island in the Pacific off Panama.

There a Panama Canal tug and two launches, plus United States Army launches took Dr. Eisenhower and the Panama President fishing.

PANAMA VIEWS PRESSED

As they fish, they will discuss the problems of Panama, economic and otherwise, continuing a discussion started July 13 with their staffs participating. It was to be a real sport-shirt conference without interruption except possibly when marlin or sailfish took the trolling bait.

The party was to stay overnight on the boats and return to Balboa early July 16 when Dr. Eisenhower is scheduled to leave for Honduras.

Since July 12, Dr. Eisenhower has been getting a thorough immersion in Panama's problems as presented by representatives of the ruling families here who also are Panama's top government officials.

All his information is presented from a strictly Panamanian viewpoint. Even during his visit July 14 in the Canal Zone, Dr. Eisenhower was accompanied by top Panama politicians.

One of them is Finance Minister Fernando Elea, who has visited the Dr. Eisenhower home in the United States. The last time was only 3 weeks ago, Minister Elea entertained Dr. Eisenhower on the evening of his arrival and is considered a personal friend.

There is some worry expressed by Americans here that Dr. Eisenhower may become so saturated with Panama propaganda that he cannot make a proper evaluation of the United States view in controversial matters. Others discount this by pointing out Dr. Eisenhower's astuteness and recalling that he is here for the purpose of learning Panama problems—which are basically internal ones.

SPECIAL PROBLEMS RISE

Panama has presented such problems as flying the Panama flag and making Spanish the official language in the Canal Zone. These are sops to students and nationalistic groups.

Panama's real need is money and plenty of it. A desperate need exists for a solution to the unemployment problem, low-cost housing, agricultural impetus, feeder roads, and rural development.

A new approach to the United States relations with Panama is long overdue, some think.

NEW APPROACH FAVORED

Perhaps Dr. Eisenhower, through his recommendations to his brother, can suggest a monetary gift to Panama in a decent, orderly fashion in some form of foreign aid. But it should be completely divorced from Panama Canal operations and should not be paid as blackmail to stop Panama's threats of nationalizing or internationalizing the canal, observers say.

Treaty rights of the United States to fly the United States flag in the Canal Zone should not be subject to such constant harassment nor made the subject of demands as was done July 13, observers here believe. Dr. Eisenhower rebuffed students who arrogantly demanded that he should come to their campus not to lecture them but to listen to them. He invited them to send

representatives to talk to him at the American Embassy but they refused.

STUDENTS HOIST PLACARDS

Immature students have caused considerable trouble here, and on July 14 paraded with crude placards calling on "Milton" to go home, to note that the canal was Panama's, and that they demanded 50 percent of Panama Canal earnings.

Extreme security precautions reportedly exceeding those for the 1956 meeting of 20 American presidents indicated concern for Dr. Eisenhower's safety which did not make for good public relations here.

Indifference to the Eisenhower visit has marked the general attitude of the people of Panama, implying that the visit was to the ruling hierarchy. People in the street have the attitude we couldn't care less when the Eisenhower party drives through the capital city.

There is no opposition, just indifference.

[From the Washington Daily News of July 18, 1958]

MORE PANAMA DEMANDS LIKELY—IKE'S BROTHER STIRS TROUBLE

(By Edw. Tomlinson)

PANAMA CITY, July 18.—As a result of Dr. Milton Eisenhower's visit here the seeds of future trouble over the Panama Canal have been sowed.

Dr. Eisenhower referred to his trip as a "study mission" and said anything he discussed with officials would be reported to his brother and other Washington authorities only as an expression of Panamanian Government "aspirations."

Hardly had the doctor and his party left the Isthmus, however, when some extreme Nationalists passed the word Uncle Sam is now committed to negotiate with Panama concerning new treaty demands.

To some politicians, extremists and especially merchants this would mean virtual Panamanian domination of the economic and political life of this strategic waterway.

WHAT WE'VE GIVEN

Only in the last 10 days, the United States Congress appropriated \$20 million to construct another bridge across the canal connecting the northern and southern portions of the Republic.

A few days later legislation was completed which makes the wages and salaries of Panamanians working in the Canal Zone equal to those paid United States citizen employees.

At the urgent request of Isthmian merchants we have refused Panamanian employees the right to trade in Canal Zone commissaries and shops. We also upped the annuity which we were paying the Republic from \$450,000 to \$1,130,000. And we turned over to the Republic approximately \$25 million worth of land and real estate in the cities of Colon and Panama City.

JUST BEGINNING?

Apparently these concessions were considered chicken feed.

We now are called on to discontinue all commercial activities in the Canal Zone. This would force 40,000 United States employees and their families to purchase all necessities, from food to medicine in the Republic.

Politically, they insist that the United States raise the Panamanian flag in what one fiery student described as equal majesty with the Stars and Stripes over the zone, the canal and all ships passing through.

Among other things, they also think we should agree to compel our citizens and officials in the zone to forget English and speak Spanish exclusively.

In the original canal treaty of 1903, the Republic of Panama granted the United

States in perpetuity all rights, power, and authority within the zone" as if the United States were sovereign of the territory. We have refused to change that document.

As the current Panamanian politicians see it, we have in effect agreed to discuss modifications of this agreement. They argue that Dr. Eisenhower came as special ambassador representing the President and that he heard highest Panamanian officials outline what they expected—and they point out these requests were put in an official communiqué.

Next day Dr. Eisenhower himself praised President De la Guardia for what he called a well-thought-out program. So far as the general public, particularly the Nationalists, are concerned this sounded like a commitment for future negotiations. The crusading students aren't going to let them forget it.

[From the Christian Science Monitor of July 19, 1958]

MILTON EISENHOWER STUDY MISSION—THE 21-DAY VISIT OF THE PRESIDENT'S BROTHER TO CENTRAL AMERICA INCLUDES FISHING IN ECONOMIC WATERS AS WELL AS PANAMA BAY

(By Ralph Skinner)

PANAMA CITY.—Almost all day Tuesday two fishermen sat side by side in special swivel chairs on the stern of a United States Army launch. Watching baited lines twist and jump through quiet waters of Panama Bay, the fishermen discussed United States-Panama relations and the solution of Panama's problems, which are almost entirely economic.

The fishermen were Dr. Milton Eisenhower on a 21-day fact-finding mission through six Central American nations, and Panama President De la Guardia.

The big topic was money from the United States and how to blow some strong winds on the Panamanian economic doldrums.

The money was requested on a repayable loan basis. Finance Minister Fernando Elea told this correspondent no gifts or grants were requested by Panama, although, of course, they wouldn't be refused.

Interrupting piscatorial discussions was the word that American marines had landed in Lebanon. United States Undersecretary of State Roy R. Rubottom and Panama Foreign Minister Miguel S. Moreno flew back to Panama City immediately.

Immediate result of the 3-day visit, as seen by Finance Minister Elea in an exclusive interview, is the better comprehension by Dr. Eisenhower of localized problems confronting Panama in relation to the Canal Zone. The Canal Zone Governor is under the Defense Department and not the State Department. Señor Elea wants more Canal Zone purchases directed into Panama to bolster its economy and underwrite expansion of cattle, dairy, and agricultural industries. He emphasized Panama will not abuse the captive market it desires.

PANAMA "SATISFIED"

Panama officialdom is "quite satisfied" with the attention given Panama demands and proposals by Dr. Eisenhower and his team.

Panama expects priority to be given its needs and requests on account of the Eisenhower visit and expects that the United States will make feasible financing of Panama projects presented.

Señor Elea, identifying Dr. Eisenhower as one of President Eisenhower's most trusted advisers, considers his recommendations will carry great weight. His authoritative opinion will be heard not only by his brother but by all in the United States Government concerned with Panama's future.

Señor Elea is a personal friend of Milton Eisenhower and has visited his home many times. He expects to make repeated trips to

Washington, pushing continuance of financial negotiation with the United States.

Señor Eleta said, "We want to get started on financial negotiations as soon as we can." The Finance Minister said most of the immediately realizable Panama projects should be under way by the end of this year. Long-range projects will be taking longer but all financial arrangements are expected to be accomplished prior to the 1960 termination of the De la Guardia administration, although actual projects may be incomplete by then.

MID-EAST SEEN BOOST

Señor Eleta sees the Middle East crisis as aiding Panamanian chances of getting aid. Raw materials and oil from Latin America are becoming more essential to the United States and emphasize the need of better Latin-American relations.

Señor Eleta said, "Obviously the only true friends the United States has, aside from the NATO block, are the Latin nations." Señor Eleta said Panama's definite planned projects are ready to start immediately on receipt of United States funds. Great emphasis was put on hydroelectric power, even more than on education, low-cost housing, feeder roads, or agriculture. Señor Eleta said, "I believe wealth, productivity, and the standard of living is directly proportionate to electric power per capita any country generates."

Whereas students talk unceasingly of the sovereignty of Panama in the Canal Zone, Señor Eleta said not one word was mentioned in the Eisenhower discussions on this topic.

More important, he indicated, is for Canal Zone Governor Potter to be relieved of the necessity to show a profit on Panama Canal operations, enabling him to give more impulse to the Panamanian economy, while he allegedly is sacrificing to get a profit for his canal operations.

Panama complained about the high cost of water sold by the United States in the Canal Zone to the Panama Government for resale to private citizens. Panama makes a profit at the present rate, but wants a bigger profit to finance sewerage systems and other public works.

Intensification of point 4 activities here was requested from Dr. Eisenhower. Furnishing United States funds for contemplated projects is not enough, as Panama's people must be educated to use the projected facilities.

The background furnished the Eisenhower team of United States leading lending organization officials included a statement that the population is increasing at a faster rate than the gross national product, with per capita income lower than in 1953. Sixty percent of Panama's population is under 25 years and a great number under 15. Dependency on the family breadwinner is too high. The ratio between Government fiscal income and the gross national product is 20 percent, indicating people are taxed so heavily that reproductive capital is not being accumulated for further investment.

Señor Eleta said: "We cannot by ourselves in Panama solve our economic problems, which in time become social and political problems. The United States, needing political stability in Panama, should have a primary interest in development of Panamanian economic possibilities."

Dr. Eisenhower's contacts here were limited to American officials and ruling families of Panama. Señor Eleta summed up the attitude of Panama's average man to the Eisenhower visit as "intense expectation of what will result from the visit."

Monday's setting sun backlit La Cresta Hill, where Dr. Eisenhower waited at the United States Embassy residence for a student delegation, which never came since they had requested him to meet them in the valley below.

Panama newspapers which front-paged the Panama President's proposals to Dr.

Eisenhower one day, on the following day front-paged the students' minimum demands on Dr. Eisenhower. The students are desirous of dictating United States foreign policy and demanded United States intervention in the Panamanian Government, among other things. Mirroring current preoccupation with what students think, a Panama Cabinet Minister said, "I think it would have been a good thing if Dr. Eisenhower had met with the students."

"NO CRITICISM"

Asked if any criticism of Dr. Eisenhower was voiced in Panama during his stay, Señor Eleta said, "None. Dr. Eisenhower carried himself cordially and amiably and with the dignity always characteristic of himself and his family."

The Wednesday morning drive from the capital to Toucmen Airport offered Dr. Eisenhower a reminder of Panama's economic needs. Observers wondered if Dr. Eisenhower, engrossed in protocol calls, fishing parties, formal dinners, and midnight receptions, noticed Panama subsistence farmers using centuries-old agricultural methods, and boys almost men stark naked along the road, and flimsy, thatched-roofed homes with palm sidewalls.

As the Military Air Transport plane with the Eisenhower party became airborne for Honduras, the question arose how much the recollection of the Panama visit can withstand the impact of heavy schedules in five countries to be visited and remain vivid and vital for reporting to the President.

Backed by intimate personal relations with Dr. Eisenhower, Señor Eleta says he is unafraid of this. Said Señor Eleta: "Panama's position is so clear, so logical everything will be all right. We extracted our conversations and sent a summary to President Eisenhower."

HON. MORGAN M. MOULDER

Mr. PRICE. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the Record.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. PRICE. Mr. Speaker, it is with a sense of duty as chairman of the Subcommittee on Research and Development of the Joint Committee on Atomic Energy that I take a moment of the House time today to acknowledge a debt of the subcommittee to the gentleman from Missouri, the Honorable MORGAN M. MOULDER, for the time and the effort given by him in assisting in the development of legislation important to many State-supported universities.

I refer to a measure which, by permitting the Atomic Energy Commission to waive insurance requirements of State universities, before issuing licenses for reactor operations, will prevent delay on the part of such institutions in participating fully in nuclear research. Mr. MOULDER contacted the subcommittee some weeks ago on this problem and cooperated in writing legislation designed to solve a very serious problem.

While Mr. MOULDER's interest may stem from his close contact with the University of Missouri, his work on this matter will help every State-supported university and every nonprofit educational institution in the country.

I have been impressed with the efforts of Mr. MOULDER in connection with this problem, but I must admit that I have

had many previous opportunities to observe the effectiveness of his work as an influential Member of the House of Representatives. Respected for his legal and judicial judgment, he has been of invaluable service to the Congress because of important assignments on the Committee on Interstate and Foreign Commerce and the Committee on Un-American Activities. His colleagues in the House have observed with great admiration his effective work on the Special Subcommittee on Legislative Oversight, which is charged with the responsibility of investigating influence peddling and improper activities in the Federal regulatory agencies.

Mr. MOULDER has been a consistent champion of rural electrification and no Member of Congress has a better voting record on REA or other rural or agricultural program than MORGAN MOULDER. His constituency can certainly point with pride to his voting record and to his many accomplishments during his service in the House.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to Mr. WATTS (at the request of Mr. PERKINS) for an indefinite period, due to the illness of his mother.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

Mrs. ROGERS of Massachusetts, for 10 minutes on today, for 10 minutes on Thursday, and for 10 minutes on Friday.

Mr. CHRISTOPHER (at the request of Mr. MCCORMACK), for 30 minutes, on tomorrow.

Mr. MULTER, for 10 minutes, on Tuesday next, vacating his special order for today; and for 10 minutes on Wednesday next.

Mr. HASKELL (at the request of Mr. AVERY), for 1 hour, on Monday, July 28.

Mr. FLOOD (at the request of Mr. MCCORMACK), for 10 minutes, on today, and to revise and extend his remarks.

EXTENSION OF REMARKS

By unanimous consent, permission to extend remarks in the CONGRESSIONAL RECORD, or to revise and extend remarks, was granted to:

Mr. MORANO.

Mr. PATMAN, to revise and extend the remarks he made today in Committee of the Whole and include extraneous matter.

Mr. ROBERTS (at the request of Mr. PRICE) and to include extraneous matter.

Mr. DONOHUE in two instances and to include extraneous matter.

Mr. CELLER.

Mr. BERRY (at the request of Mr. AVERY) and to include extraneous matter.

Mrs. BOLTON (at the request of Mr. AVERY) and to include extraneous matter.

(At the request of Mr. McCORMACK, and to include extraneous matter, the following:)

Mrs. KNUTSON.

Mr. ABBITT.

Mr. DIGGS in two instances.

ENROLLED BILL SIGNED

Mr. BURLESON, from the Committee on House Administration, reported that that committee had examined and found truly enrolled a bill of the House of the following title, which was thereupon signed by the Speaker:

H. R. 13121. An act to authorize appropriations for the Atomic Energy Commission in accordance with section 261 of the Atomic Energy Act of 1954, as amended, and for other purposes.

SENATE ENROLLED BILLS SIGNED

The SPEAKER announced his signature to enrolled bills of the Senate of the following titles:

S. 1785. An act designating the reservoir located above Heart-Butte Dam in Grant County, N. Dak., as Lake Tschida, and for other purposes;

S. 1939. An act to amend the Federal Seed Act of August 9, 1939 (53 Stat. 1275), as amended;

S. 2266. An act to provide a method for regulating and fixing wage rates for employees of Portsmouth, N. H., Naval Shipyard;

S. 3076. An act to amend section 12 of the act of May 29, 1884, relating to research on foot-and-mouth disease and other animal diseases;

S. 3437. An act authorizing the Department of Highways of the State of Minnesota to construct, maintain, and operate a free highway bridge between International Falls, Minn., and Fort Frances, Ontario, Canada;

S. 3478. An act to insure the maintenance of an adequate supply of anti-hog-cholera serum and hog-cholera virus;

S. 3608. An act to revive and reenact the act authorizing the State Highway Commission of the State of Maine to construct, maintain, and operate a free highway bridge between Lubec, Maine, and Campobello Island, New Brunswick, Canada; and

S. 3677. An act to extend for 2 years the period for which payments in lieu of taxes may be made with respect to certain real property transferred by the Reconstruction Finance Corporation and its subsidiaries to other Government departments.

BILLS PRESENTED TO THE PRESIDENT

Mr. BURLESON, from the Committee on House Administration, reported that that committee did on the following dates present to the President, for his approval, bills of the House of the following titles:

On July 22, 1958:

H. R. 11645. An act making appropriations for the Departments of Labor, and Health, Education, and Welfare, and related agencies, for the fiscal year ending June 30, 1959, and for other purposes.

On July 23, 1958:

H. R. 7902. An act to authorize travel and transportation allowances in the case of certain members of the uniformed services;

H. R. 9369. An act to authorize refunds by the Veterans' Administration of amounts collected from former servicemen by the Government pursuant to guaranty of life in-

surance premiums under the original Soldiers' and Sailors' Civil Relief Act of 1940;

H. R. 10321. An act to authorize the Secretary of Agriculture to exchange lands comprising a portion of the Estes Park Administrative Site, Roosevelt National Forest, Colo., and for other purposes;

H. R. 11253. An act to authorize the Secretary of Agriculture to exchange land and improvements with the city of Redding, Shasta County, Calif., and for other purposes;

H. R. 11504. An act to amend title 10 of the United States Code to permit enlisted members of the Naval Reserve and Marine Corps Reserve to transfer to the Fleet Reserve and the Fleet Marine Corps Reserve on the same basis as members of the regular components;

H. R. 11518. An act to authorize the construction of modern naval vessels;

H. R. 11626. An act to amend section 6911 of title 10, United States Code, to provide for the grade, procurement, and transfer of aviation cadets;

H. R. 11700. An act to authorize civilian personnel of the Department of Defense to carry firearms;

H. R. 12161. An act to provide for the establishment of townships, and for other purposes; and

H. R. 12694. An act to authorize loans for the construction of hospitals and other facilities under title VI of the Public Health Service Act, and for other purposes.

ADJOURNMENT

Mr. McCORMACK. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 4 o'clock and 45 minutes p. m.), under its previous order, the House adjourned until Thursday, July 24, 1958, at 11 o'clock a. m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

2153. A letter from the Secretary of Agriculture, transmitting a draft of proposed legislation entitled "A bill to provide a revolving fund for certain loans by the Secretary of Agriculture, for improved budget and accounting procedures, and for other purposes"; to the Committee on Agriculture.

2154. A letter from the Acting Secretary of the Treasury, transmitting a report covering claims paid during the 6-month period ending June 30, 1958, on account of the correction of military records of Coast Guard personnel, pursuant to title 10, United States Code, section 1552 (f); to the Committee on Armed Services.

2155. A letter from the President, Board of Commissioners, District of Columbia, transmitting a draft of proposed legislation entitled "A bill to amend the act entitled 'An act to regulate the placing of children in family homes, and for other purposes,' approved April 22, 1944, as amended"; to the Committee on the District of Columbia.

2156. A letter from the Comptroller General of the United States, transmitting a report on the review of certain requirements determinations and related procurement for spare parts for aircraft and aircraft accessories. Oklahoma City Air Materiel Area (OCAMA), Department of the Air Force; to the Committee on Government Operations.

2157. A letter from the Administrator, General Services Administration, transmitting a draft of proposed legislation entitled "A bill to amend the Federal Property and Administrative Services Act of 1949 to extend the authority of the Administrator of General Services to pay direct expenses in con-

nection with the utilization of excess property, and for other purposes"; to the Committee on Government Operations.

2158. A letter from the Assistant Secretary of the Interior, transmitting a proposed concession contract with the Superior Bath House Co., Inc., which will authorize it to obtain hot waters from Hot Springs National Park, Ark., for a period of 20 years from January 1, 1958, pursuant to the act of July 14, 1956 (70 Stat. 543); to the Committee on Interior and Insular Affairs.

2159. A letter from the Administrative Assistant Secretary of Agriculture, transmitting a report of all claims paid by the Department of Agriculture for the period July 1, 1957, to the end of the fiscal year, June 30, 1958, pursuant to the Federal Tort Claims Act (28 U. S. C. 2671-2680); to the Committee on the Judiciary.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. FALLON: Committee on Public Works. H. R. 12808. A bill to amend the Federal-Aid Highway Act of 1958 to extend for an additional 2 years the estimate of cost of completing the Interstate System; without amendment (Rept. No. 2254). Referred to the Committee of the Whole House on the State of the Union.

Mr. WALTER: Committee on the Judiciary. H. R. 13451. A bill to amend section 245 of the Immigration and Nationality Act; with amendment (Rept. No. 2258). Referred to the House Calendar.

Mr. O'BRIEN of New York: Committee on Interior and Insular Affairs. H. R. 9445. A bill to amend the Hawaiian Organic Act, and to approve amendments of the Hawaiian land laws, with respect to leases and other dispositions of land; with amendment (Rept. No. 2259). Referred to the Committee of the Whole House on the State of the Union.

Mr. HALEY: Committee on Interior and Insular Affairs. H. R. 9740. A bill to provide that the United States shall hold certain land in trust for members of the Makah Tribe of Indians; with amendment (Rept. No. 2260). Referred to the Committee of the Whole House on the State of the Union.

Mr. VINSON: Committee of Conference. H. R. 12541. A bill to promote the national defense by providing for reorganization of the Department of Defense, and for other purposes (Rept. No. 2261). Ordered to be printed.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. HYDE: Committee on the Judiciary. House Joint Resolution 659. Joint resolution for the relief of certain aliens; without amendment (Rept. No. 2255). Referred to the Committee of the Whole House.

Mr. CHELF: Committee on the Judiciary. House Joint Resolution 660. Joint resolution to facilitate the admission into the United States of certain aliens; with amendment (Rept. No. 2256). Referred to the Committee of the Whole House.

Mr. HYDE: Committee on the Judiciary. House Joint Resolution 661. Joint resolution to waive certain provisions of section 212 (a) of the Immigration and Nationality Act in behalf of certain aliens; without amendment (Rept. No. 2257). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BALDWIN:

H. R. 13511. A bill prescribing the manner in which the claims of the Indians of California against the United States shall be presented to the Indian Claims Commission, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. DENTON:

H. R. 13512. A bill to permit all wheat farmers (including those who plant less than 15 acres of wheat) to vote in any wheat marketing quota referendum; to the Committee on Agriculture.

By Mr. HILL:

H. R. 13513. A bill to provide for further research relating to new and improved uses which offer expanding markets for farm and forest products, and for other purposes; to the Committee on Agriculture.

By Mr. THOMPSON of Louisiana:

H. R. 13514. A bill to amend the act of December 22, 1928, relating to the issuance of patents to tracts of public land held under color of title, to provide that patents may be issued under such act without reservation

of minerals, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. WILLIS:

H. R. 13515. A bill to amend the act of December 22, 1928, relating to the issuance of patents to tracts of public land held under color of title, to provide that patents may be issued under such act without reservation of minerals, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mrs. BLITCH:

H. R. 13516. A bill to establish the United States Study Commission on the Savannah, Altamaha, St. Marys, Apalachicola-Chattahoochee, and Alabama-Coosa River Basins, and intervening areas; to the Committee on Public Works.

By Mr. MCCARTHY:

H. R. 13517. A bill to increase the amounts authorized to be appropriated for each fiscal year for the programs of maternal and child health services, services for crippled children, and child welfare services provided for by title V of the Social Security Act; to the Committee on Ways and Means.

By Mr. THOMPSON of Louisiana:

H. R. 13518. A bill to incorporate the Blind Veterans Association; to the Committee on the Judiciary.

By Mr. DIGGS:

H. J. Res. 662. Joint resolution to establish the Emancipation Proclamation Centennial Celebration Commission, and for other purposes; to the Committee on the Judiciary.

By Mr. ANDERSON of Montana:

H. Con. Res. 365. Concurrent resolution to express the sense of Congress with respect to the size of the Army Organized Reserve; to the Committee on Armed Services.

By Mr. BROOKS of Louisiana:

H. Con. Res. 366. Concurrent resolution to express the sense of the Congress with respect to the size of the Army Reserve Force; to the Committee on Armed Services.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BURNS of Hawaii:

H. R. 13519. A bill for the relief of Felicidad Caletena; to the Committee on the Judiciary.

H. R. 13520. A bill for the relief of Alfredo T. Ordonio; to the Committee on the Judiciary.

By Mr. JACKSON:

H. R. 13521. A bill for the relief of Mrs. Tristana C. Rossi; to the Committee on the Judiciary.

EXTENSIONS OF REMARKS

Impartial and Nonpunitive Legislation Is Always in the Best National Interest

EXTENSION OF REMARKS
OF

HON. HAROLD D. DONOHUE

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 23, 1958

Mr. DONOHUE. Mr. Speaker, I have been privileged to sit in this, and other legislative assemblies, long enough to know that there will never be any such thing as a perfect bill composed by human minds, without divine assistance. May I further say that within my experience I have never seen a measure of purely punitive intent accomplish any real or lasting good.

In the enactment of legislation under our democratic processes we have come to expect the efforts of special groups to interject their passions, prejudices and particular interests. As conscientious legislators it is our duty to closely examine these pressures and concentrate our attention upon the enactment of a reasonable compromise designed primarily to inspire observance of the law with good will because of its essentially impartial nature.

In this respect there is pending before us a so-called labor-management reform bill which was approved in the Senate by an overwhelming bipartisan vote of 88 to 1. No one with good sense claims that this measure is perfect but, even according to a great many members of the Industrial Relations Research Association, it unquestionably, if adopted, would contribute to union reform and sound industrial relations. However many contentious provisions the measure may be said to contain, it undoubtedly

occupies a middle and compromise ground between the extreme demands of employer and union groups. Its enactment would tend to restrain a great many of the worst abuses plaguing some of the country's largest unions and it would provide more control by union members over the affairs of their organizations. Certainly it would discourage the unbridled ambitions of those few unscrupulous individuals whose main objective appears to be personal use of big union trust funds for their own interest.

There are also provisions in this bill placing additional restrictions upon unwarranted management practices; provisions designed to prevent scheming employers from entering into collusive arrangement with any tempted union official for the purpose of perverting real collective bargaining.

The revelations of the McClellan committee have demonstrated the need for reasonable legislation to encourage labor-management, internal activity reform. The general public expects a responsive impartial reaction of the Congress to that need. The great majority of labor unions have taken the first and biggest step in the best method of correction, from within, by their adoption of strict ethical codes of practice. With a temperate measure of impartial and reasonable, which is always the wisest, legislative encouragement we can entertain good hope for increasing good will and cooperation between labor and management for the national benefit. In pursuit of that wholesome objective, I most earnestly hope that this labor-management reform bill will be presented to the House before adjournment, so that it may be discussed, debated, and acted upon in accord with our democratic legislative traditions.

Wool Industry Needs Law

EXTENSION OF REMARKS
OF

HON. E. Y. BERRY

OF SOUTH DAKOTA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 23, 1958

Mr. BERRY. Mr. Speaker, it is impossible to impress upon the Members of this body the absolute necessity for the extension of the National Wool Act prior to the adjournment of this Congress.

I appreciate that there are many on Capitol Hill who are saying that since the present act does not expire until March of 1959 there is plenty of time next session to extend the act.

I want to emphasize, Mr. Speaker, that the wool business is a great industry, a great private industry dependent upon private financing. I want to impress upon the Members of this Congress that within the next 30 or 45 days the sheep and wool men will have sold this year's crop of wool and lambs and will be going to their banker to arrange for financing for next year's operation. I want to impress upon each of you that no banker is going to finance any industry if that industry does not know or have a pretty good idea what its income will be.

When a sheep rancher has sold his wool, when he has sold his lambs, he takes his checks to the bank and makes settlement with his banker, and at the same time he arranges for credit for the following year's operation. Unless the National Wool Act is extended, the banker will be forced to compute the income of his client on the basis of 35-cent wool instead of on the basis of about 65-cent wool. I need not tell you what this

means to the sheep men. It means putting a great many of them out of business.

At this time when the Nation is so gravely concerned over our national defense, it would be pretty stupid for Congress to further reduce the national output of one of the most critical of all defense commodities, namely wool, and compel this Nation to depend for two-thirds or more of its wool supplies upon ocean shipments of from 5,000 to 10,000 miles.

The National Wool Act was instituted to build up the domestic wool industry. The build-up has started. Certainly this is no time to junk a program as vital to our national defense as the National Wool Act.

Appeal for Development of Coosa-Alabama River

EXTENSION OF REMARKS OF

HON. KENNETH A. ROBERTS

OF ALABAMA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 23, 1958

Mr. ROBERTS. Mr. Speaker, the members of the Alabama delegation are joined in a concerted effort to appeal to our colleagues for development of one of the Nation's greatest waterways, the Coosa-Alabama River.

The Senate has seen fit to appropriate \$150,000 for planning and design of the Millers Ferry lock and dam on the Alabama River. Soon, the House and Senate conferees will meet to decide what the public works appropriations shall be.

It is our sincere hope and desire that this appropriation for the Alabama River will be approved.

Those of us along the Coosa-Alabama Basin have written to the House conference members, appealing for their support in retaining the Millers Ferry item.

This letter, which I wish to insert in the RECORD, is signed by Congressmen BOYKIN, GRANT, RAINS, SELDEN, and ROBERTS, of Alabama, and by Congressman MITCHELL, of Georgia. It was addressed to each of the House conferees.

The letter follows:

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D. C., July 3, 1958.
MEMBER OF CONGRESS,
House of Representatives,
Washington, D. C.

MY DEAR COLLEAGUE: As a member of the conference appointed on H. R. 12858, the 1959 public works appropriations bill, you are no doubt aware of the action of the Senate Appropriations Committee amending this bill to include an item of \$150,000 for planning and design of the Millers Ferry lock and dam on the Alabama River in the State of Alabama. We are taking this means respectfully to urge you and the other House conferees to accept this item as provided in the Senate version.

It is our sincere belief that an early beginning of construction on this already authorized project would not only benefit Alabama and the South, but would provide vast benefits for the entire Nation.

The Coosa-Alabama River, draining a basin 650 miles long and covering 22,800 square miles, flows from Rome, Ga., to Mobile, Ala. It is the second largest river flowing from headquarters in the Appalachian Mountains. Among the major centers along its bank are Rome, Anniston, Gadsden, Talladega, Montgomery, and Selma. More than 1.4 million people live in this basin and the great cities of Birmingham and Atlanta lie just outside its boundaries.

Full development of this waterway and basin would mean adequate hydroelectric power for industrial purposes, employment for its people, cheap water rate transportation, freedom from floods, and enjoyable recreation areas. The defense bulwark of our Nation would be substantially aided by the fast, safe movement of vital defense elements such as petroleum, chemicals, pulp, building materials, and ore. For the Coosa-Alabama Basin is rich in resources. Steel and iron mills along the river use ore coming into this country through the port of Mobile. Vast coal deposits are available for wider distribution if afforded river transportation.

Recognizing the staggering potential of this waterway, the 79th Congress in 1945 enacted Public Law 14, authorizing development of the Coosa-Alabama, including construction of a multipurpose dam at Millers Ferry, and two other dams on the Alabama River. Since then, a private concern, the Alabama Power Co., has begun a multimillion dollar series of dams on the upper stretches of the waterway. The Federal Government has not kept the pace, and the work authorized 12 years ago on the Alabama River remains unstarted.

We believe that the time for this construction is compelling. We express the sentiment of the entire Alabama delegation, and affected sections of Georgia, when we again ask that funds in the amount of \$150,000 be appropriated for this purpose at this time.

Very sincerely,

FRANK BOYKIN,
Member of Congress.
GEORGE GRANT,
Member of Congress.
ALBERT RAINS,
Member of Congress.
KENNETH ROBERTS,
Member of Congress.
ARMISTEAD SELDEN,
Member of Congress.
ERWIN MITCHELL,
Member of Congress.

Bathing

EXTENSION OF REMARKS OF

HON. EMANUEL CELLER

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 23, 1958

Mr. CELLER. Mr. Speaker, under leave to extend my remarks in the RECORD, I include the following excerpt from a broadcast over radio station WINS, New York, Sunday, July 20, 1958:

BATHING

And now I turn to a subject on a lighter vein, but nevertheless, one that is very much a part of our daily existence. This topic was sparked by an account I read, emanating from the Public Health Service, as a result of some questions involving procedures to keep well.

Among the questions was, Are fewer baths advisable in winter? Public Health Service

says that the skins of some people dry out in winter, but this is attributed to the low humidity in heated rooms or from harsh soaps that remove oil from the skin. Most bath soaps are mild. Public Health Service goes on to say how frequently you bathe is up to you to decide.

The Public Health Service mustn't read those soap ads, which very clearly imply that if you wish to be socially acceptable and not have your best friends not tell you, you had better climb in that old tub each and every day—rain or shine—hot or cold.

Upon looking into the origins of the ritual of the now daily bath and the relentless battle to keep Junior clean behind the ears, I came upon some odd but interesting bits of information. Such as—prehistoric man had a bed, shelves, and something like a cupboard—but no bath. Europe's first written records, the Bronze Age epics of Homer, indicate that the Greek tribes used to bathe in their rivers. If you couldn't swim, you weren't in the current social swim of that age and the Joe Miller of that day, commenting on unpopular foreigners, uttered the canard that they got washed but three times in their lives—when they were born, when they were married, and when they died. In the old days, the women washed their clothes with themselves—a trick they might be able to do today, considering how much nylon the ladies are wearing.

In the Old and New Testaments, many incidents relating to washing and the magical properties of water are recounted.

In India, Gandhi wrote of an acquaintance that he would pour water over himself—but never washed. The Hindu bathing customs go back some three or four thousand years and from the earliest records, the orthodox carefully sprinkled themselves, using little jars for the water, with the idea of spiritual purification rather than physical cleanliness. These ablutions were believed to be watched by demons and a detail overlooked could bring on disaster.

The priests of ancient Egypt drenched themselves with Nile water, often several times a day. They hoped to remove their sins—not their skins.

Besides the sprinkling, Hindus have given great importance to the idea of full immersion in water. It is considered a sort of insurance premium—to secure good luck or to avoid reincarnation as a maggot or a mango. For unknown centuries, Indian pilgrims have been making arduous journeys to holy rivers, pools, wells, and reservoirs connected with shrines.

The early Christians resorted to triple immersion for baptism. The practice of a single immersion for baptism was not adopted until the last years of the sixth century and persisted for 1,500 years. Today, a child may be baptized by anointing his head with holy water.

The Russians developed the most elaborate of bathing techniques from an ancient ritual of dipping newly born infants through a hole in the river that had been blessed. The Scythians, who inhabited what is now the Ukraine, on special occasions, would soap and rinse their heads and then crawl into small tents made of fleece draped over wood tripods. Inside, would be a dish of red hot stones, on which the bather threw hempseed. The smoke turned the tent into an excellent vapor bath and while sweating it out, the bather would apply plasters, made of moistened sawdust from aromatic trees. These were kept on overnight and the next day, the ancient would emerge sweet-smelling and glowing. The American Indians followed a similar technique before they ever laid eyes on a white man, as did the Mexicans. A similar arrangement was discovered in Ireland, and, of course, the Finns enlarged on this basic idea to accommodate 10 or more people. After beating themselves

with birch twigs, the Finns take a brisk plunge in the snow.

The ancient Greek washed himself at a bath—rather than in one. You were expected to be clean then—but not too clean.

The use of hot water in the bath was roundly condemned by Homer and Hesiod as an unmanly practice. Although many Greeks were fond of open-air plunges in thermal springs—opinion for many years was against the use of hot water in the family basin or public wash houses. An old Athenian law actually forbade it. Nevertheless, most of the latter-day Greeks were oiled, scoured and rinsed—and with hot water—every day. Small and somewhat luxurious bathhouses for men had sprung up during the fifth century B. C. There were others for women. You followed a cold wash with a warm one—a custom afterward reversed by the Romans. All was quiet and respectable. Hippocrates advised that a bather should be orderly and reserved in his manner and it was considered the last word in boorishness to resort to a song in the bathroom.

During the heyday of Julius Caesar's grandfather, a 9-day interval between baths was quite common. There were a few public baths from 312 B. C. onward, but cold water was the only water on tap. Under the emperors, however, public bathing was popularized on a vast scale, and by the fourth century A. D., there were some 952 baths in Rome and the fad—shall we say—had spread elsewhere. * * * Gaul, Spain, Algeria and—less opulently—in Britain. Two famous baths were named for despotic emperors, Caracalla and Diocletian. Diocletian's was a trifle smaller than Madison Square Garden. It included a fair sized theater and a swimming pool 290 feet long. Caracalla's had lecture rooms and a library, the forerunner, no doubt, of the magazine rack in our modern bathrooms. The wealthy maintained smaller versions in their mansions and some of these so aroused Seneca, the tutor of Nero, that he held forth about the decadent luxury of the rich.

In those days, bathing was restricted by law and custom to an hour or so in mid-afternoon. The routine in these baths seems somewhat like that in our modern Turkish bath, the Romans not adding much to Greek practices. It is interesting to note that centrally placed furnaces supplied the heat for the various rooms and the rich could relax in smaller rooms where they listened to musicians, discussed business deals and drank wine served by waiters. There were lotion rooms, and scent rooms, lined with beautiful mosaics—and all this cost but a few coppers, and if you were poor you could get it at public expense. The fall of Rome has been attributed to many things but there are some historians who maintained that the cause was due to the Romans spending so much time at the baths.

After the Arabs conquered former Roman territory, some of Mohammed's followers—despite his opposition—took over the baths at Alexandria and later generations, regardless of the religious tradition, built their own public baths, which were on a much more modest scale.

Down through the centuries, many people objected to bathing—but it made slow progress. Medieval Europe originated the bath proper—a functional piece of furniture, which, on some occasions could accommodate two people, with a tray stretching between them for meal service. Some were oval—some were circular—and some had tentlike superstructures—and some looked like sabots but in the 18th century, the bathtub as we know it today, began to shape up. Its evolution is much more easily traced in France and it is reported that one of Napoleon's relatives was the first in France to use a truly modern type bathtub.

The 17th century, it is believed, proved the stimulus for the revival of washing in

general, altho some royalty were considered rather malodorous through the years, perhaps in more ways than one. The Grand Monarque of France, for instance, had the most sumptuous bath then in existence but he rarely went near it.

The Japanese are considered the cleanest people on the face of the earth. There was usually very little privacy in their baths. Every house in Japan has a bathroom with a big wooden tub and in 1895 there were 800 public baths in Tokyo, serving 300,000 persons a day. The Japanese believe in the psychological benefits derived from the water. The tired laborer is expected to sing and feel at peace, once he is immersed.

Surprisingly enough, baths for private homes were denounced in America as repugnant to the American way of life. The White House did not have a bath until 1851, with President Fillmore standing firm against the most intense opposition. Americans may lay claim to inventing the shower as we know it in our well-equipped bathrooms and I think Americans may well lay claim to the steadfast barrage of information as to the effectiveness (socially and otherwise), of our soaps and detergents. Oil was used as the first washing material. Then soap, made of boiled goat's tallow and causticised beech ashes. Soap came into wider use in the latter part of the Middle Ages in Italy, and then in France, and in the 13th century, a factory at Marseilles made soap cakes with olive oil. England made soap from the 14th century on. American pioneer women made their own. Modern soap making dates from the discovery, in 1791, of the Leblanc process for the manufacture of soda from brine.

Speaking for myself, I think there is nothing more relaxing than a good warm shower or bath, with plenty of soapsuds, old Homer notwithstanding.

Need for Facilities for Vital Army Activities at Fort Lee

EXTENSION OF REMARKS OF

HON. WATKINS M. ABBITT

OF VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 23, 1958

Mr. ABBITT. Mr. Speaker, we are in a critical and perilous time, internationally speaking. The Mid-East is in an uproar, as we all know. The United States has made many commitments and I am indeed shocked to see that the House Appropriations Committee has made such drastic cuts in the administration's request for construction of permanent buildings and facilities of the Armed Forces.

This is no time to pull in and cut down on the Armed Forces program. The only thing that has prevented another world war has been the might and destructive force at our command. I do not know what motivated the committee. I do know, of course, that they have done what they thought was best and just under the evidence before them at the time they considered this bill. It seems to me, however, that since the hearings were conducted before the subcommittee the entire picture has changed. New demands are being made on our Armed Forces and their functions and programs have been vitally affected. I believe that the whole mat-

ter needs to be restudied in view of this situation.

I cannot speak authoritatively for the necessity for all of the projects contained in the request of the Defense Department. No doubt certain of these cuts may be in order but I do know, however, that the new construction items requested at Fort Lee, Va., in my Congressional District, are badly needed. The original request from Fort Lee for fiscal 1959 contained several items which were later deleted within the Department but the two principal items deleted by the committee are essential to the proper functioning of the vital Army activities at Fort Lee. This is the home of the Quartermaster Training Command and is one of the most important Army installations.

The Quartermaster Corps has requested the construction of a permanent academic building for the quartermaster school and from my knowledge of the situation this is badly needed and will greatly benefit the quartermaster program. I feel that the deletion of this item will be detrimental to the training of quartermaster personnel. I earnestly hope that the Congress will approve the necessary funds to construct this academic building as it not only is a benefit to Fort Lee and to my District but to the entire country inasmuch as the quartermaster training there performs a vital service for the entire Army.

In addition to the academic building the committee has deleted funds for a nurses' quarters and this, too, is vitally needed at Fort Lee where a new hospital is shortly to be built and considerable medical activity is necessary.

I expect to pursue this matter further with the committee as well as in the other body. Of course, I have already taken this up with the Department of the Army and I can report that the Army is very upset about the action of the committee.

It is my feeling that we must keep our Armed Forces as strong as possible and provide these essential items.

The Housing Act of 1958

EXTENSION OF REMARKS OF

HON. HAROLD D. DONOHUE

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 23, 1958

Mr. DONOHUE. Mr. Speaker, as we progress toward the conclusion of this session, I most earnestly hope that the so-called omnibus housing bill of 1958, recently acted upon in the Senate, will not be overlooked in the logjam that so often accompanies the rush toward adjournment. Failure to act on this bill, in my opinion, would be placing an unhappy and unnecessary blemish upon an otherwise commonly admitted constructive record of this 85th Congress.

One basic reason, among many, why action on this measure is vitally important is the admitted effect it would have as a further antirecession bulwark and production and employment stimulus.

The emergency housing bill that was earlier passed has demonstrated that a stimulation of the building industry, with the associated trades affected, is one of the wisest and most economical methods through which any further deterioration of our overall economy can be restrained.

It is universally recognized that our economy has been in a recessionary trend for a year or more and, although current indicators have shown some improvement, most authorities agree that we are far from being on safe ground. The unemployment situation, as revealed by the most recent figures, is still deeply disturbing. These figures unquestionably establish that approximately 5 million Americans are yet out of work and more than 1½ million persons have been reduced to part-time work. The most optimistic interpretation of these statistics demonstrate that more than 7 million families in this country are directly experiencing the hardship results of the economic recession. We have at hand an economical way and instrument to substantially relieve their distress.

This housing bill would undoubtedly assist in the revival of our lagging economy by encouraging investment activity in the construction field, with an accompanying increase in production and employment.

Embodied also in this housing bill is the foundation purpose of promoting better housing throughout the country, giving further impetus to operating programs designed to combat slum areas, and providing needed assistance to the continuation and expansion of the veterans home loan program.

Another primary objective of the measure is to further the advancement of scientific and academic knowledge, by helping our hard-pressed institutions of higher learning to provide the vitally needed dormitories, classrooms, and scientific laboratories which are pitifully inadequate to meet the ever-increasing enrollment. Obviously, one of our essential national goals is to compete with, and surpass, the scientific achievements and progress of Soviet Russia, and we cannot hope to do it unless the fullest facilities are made available to students through our colleges and universities.

In this most blessed country in the world, we have only begun to attack the problems of providing decent housing for our elderly citizens, expanding FHA insurance, encouraging wider recognition of the necessity of urban renewal, and relocating families displaced by wholesome and healthy slum clearance.

The foundation unit of any nation is the family. The best guaranty of wholesome family life is a home of their own in decent surroundings. Reasonable encouragement of better housing for American families and American citizens, is one of the wisest investments we can make toward the future safety and progress of this great country. In order to make this wise investment, I hope that the housing bill will be presented to us for debate and action at the earliest possible date.

Plea to President Eisenhower To Retain National Guard at Full Strength

EXTENSION OF REMARKS OF

HON. COYA KNUTSON

OF MINNESOTA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 23, 1958

Mrs. KNUTSON. Mr. Speaker, commendation is in order on the action of the House yesterday in passing House Concurrent Resolution 333, expressing the sense of the Congress that the National Guard strength should not be reduced below 400,000 nationally. In line with this action, under unanimous consent, I include letters sent to the President and to Secretary of Defense McElroy urging the President to reverse his proposed decision to reduce the National Guard strength:

JULY 18, 1958.

The Honorable DWIGHT DAVID EISENHOWER,
President of the United States,
Washington, D. C.

DEAR MR. PRESIDENT: May I respectfully, but strongly, protest the reductions in National Guard strength throughout the country, and urge, instead, an increase in the guard's unit strength and number of units. Minnesota is probably no harder hit by the proposal than other States, but the net effect of the proposed reduction in Minnesota is shattering.

I am enclosing a copy of the letter I have received from the Honorable Orville L. Freeman, Governor of Minnesota. Governor Freeman ably evaluates the effect of the proposed cut for Minnesota. For all intents and purposes, the cut spread thinly throughout the country will destroy the effectiveness of the guard—and its usefulness in the national defense picture.

The greatest moral force in our country has always been the quiet patriotism and dependability of our people. In any kind of crisis, the people gather their spiritual strength to do "what has to be done." They accept their responsibilities as you accept yours. Our people willingly provide the civilian army which has made it possible for this country to win every war in which it has been engaged throughout its history. The National Guard is the exemplification of this sense of responsibility of the citizens of this country. It performs its duties in peace and in war. It is composed of people who serve and train voluntarily. It is a "grassroots" arm upon which the military must depend.

Today, we are faced with serious international troubles, different from the troubles of past years. Today the threat of terrible destruction from nuclear forces hangs heavy over every head and every heart. Despite this, the people of the country, according to news reports, have accepted your decision on the Middle East with reactions ranging from resignation to approval, whatever they may think are the reasons and causes of our present difficulties in that area. This is the way the American people perform.

Persistence with the decision to cut back the National Guard will be not only detrimental to the morale of the people, but it will also seem to them, unwise and shortsighted in the extreme. The times demand forthright action. If a mistake has been made in proposing the cutback, the administration should be willing, for the safety of the country and the morale of the people, to reverse the decision and withdraw the proposal at once.

Respectfully,

Congresswoman COYA KNUTSON.

[Copy to Secretary McElroy.]

STATE OF MINNESOTA,
EXECUTIVE OFFICE,
St. Paul, July 14, 1958.

The Honorable COYA KNUTSON,
Member of Congress, Washington, D. C.

DEAR CONGRESSWOMAN KNUTSON: The proposed reorganization of the Army National Guard to conform to the Army's concept of military requirements for modern warfare has given me, as I know it has given you, deep concern. While we have been in full agreement with and fully support reorganization and modernization of the Army, which, of course, includes the Army National Guard, our concern has been that in effecting the reorganization, the Pentagon planners would administratively do that which the Congress never has, or would legally do, authorize the emasculating and relegation of the National Guard to an inferior position in the Nation's scheme of defense. There is strong evidence that there is a desire among military planners in the Pentagon to do this, and the proposed plan for the reorganization of the reserve elements of the Army is indicative of this desire.

Yesterday my office received a tentative list of the proposed Army National Guard troop basis for the State of Minnesota, and I am attaching hereto a statement drawing a comparison between the present and proposed troop basis. It will be seen that we now have 107 company, battery, and detachment size units in Minnesota organized in 65 communities, and we are being asked to reorganize on the basis of 80 comparably sized units in the reorganization program. Spreading these units thinly over the 65 stations in which we now have armories and strong and active units organized, it may be possible to continue to carry on National Guard activities in these communities through the medium of splitting some unit between 2 communities, a practice in which we have not heretofore engaged and one which does not contribute to an efficient and effective military unit. We have been given to understand that the troop basis is subject to negotiation, and we will make strong representation to increase the unit allotment beyond 80.

Our immediate concern is in connection with the maximum strength authorized under the proposed reorganization. Currently the Army National Guard of Minnesota has a strength of 8,792 officers and men available for service and we are 67 percent of authorized war strength. Under the proposed reorganization, all but a few of our units will be authorized to be organized on only a 52 percent of war strength basis, with a maximum of 7,150. This will result in a loss of over 1,600 officers and men and will be seriously felt in all of the 65 communities in Minnesota in which the Army National Guard is organized. It is evident that this proposed allotment of 7,150 officers and men is predicated on a national overall strength of the Army National Guard of 360,000 and not the 400,000 which Congress has heretofore authorized and is in the process of authorizing for the current year. I sincerely trust that you will strongly support the strength figure of 400,000 in the respective committees and on the floor of Congress for this is vital to reducing the seriousness of the impact of this reorganization throughout the State of Minnesota.

I wish to also add that it is apparent that once the 400,000 strength is authorized by the Congress, it will be necessary to vigorously follow up the authorization to see that administration officials proceed with the reorganization of the National Guard on a 400,000 strength basis in accordance with the will of Congress and the desires of the States.

It is quite evident it is the intent of the Department of Defense to ignore the Congress and the strong position in support of a nationwide strength of 400,000, which the governors of all the States and Territories

took at their recent Miami conference, in the Army's announced action establishing the Army National Guard on the basis of 360,000. In the light of the international situation and our scores of global mutual-security agreements, reduction of the National Guard both as to units and officer and enlisted strength at this time would appear to be ill conceived if not dangerous. It is difficult to understand that the announcement of the Secretary of the Army concerning this reorganization of Reserve Forces should, on the one hand, contemplate the destruction of well trained units in being of the National Guard and the organization of 15 of the National Guard Divisions at less than full organizational strength, while directing the organization of new units of other elements of the Reserve and prescribing an organizational plan for Reserve divisions, which authorizes all organizations of the division to be organized. There exists a strong suspicion in the minds of many of our governors, which I am beginning to share, that there are many in authority in the Pentagon and perhaps elsewhere in Washington, who do not like the State-Federal status of the National Guard and would destroy it or render it impotent. I am sure that this is not the will of our people and that you and I and all others who may reflect their voices and actions in supporting a strong and virile National Guard, will be ever vigilant in seeing that this does not occur.

Yours very truly,

ORVILLE FREEMAN,
The Governor, State of Minnesota.

State of Minnesota Army National Guard—
Allotment of troop units

PROPOSED ALLOTMENT OF UNITS

Type of organization or separate unit:	Number of units
1 State headquarters and headquarters detachment-----	1
1 field artillery battalion 155-millimeter howitzer tow-----	5
1 signal area operation battalion-----	5
1 transport truck battalion-----	4
1 infantry division (less 2 battle groups)-----	65
Total number of units-----	80
Maximum authorized strength-----	7,150

CURRENT ALLOTMENT OF UNITS

1 State headquarters and headquarters detachment-----	1
1 infantry division (less 1 regular combat team)-----	87
1 transport truck battalion-----	4
1 antiaircraft artillery group-----	15
Total number of units-----	107
Present strength-----	8,792
Total proposed reduction in units-----	27
Total proposed reduction in strength-----	1,642

JULY 18, 1958.

HON. NEIL M. McELROY,
Secretary of Defense,
The Pentagon, Washington, D. C.

DEAR MR. SECRETARY: Since you are the President's chief civilian adviser in the military and on military matters, I am taking the liberty of forwarding to you a copy of a letter I have just sent to him, urging reversal of the decision to cut back the National Guard strength.

May I respectfully ask that you use your influence with the President to secure withdrawal of the proposal to cut back which would do immeasurable damage to this portion of our citizen army. As a civilian, you will perhaps regard these matters a little differently from the President whose views naturally are colored by his long service in the military. Your understanding of the basically civilian-minded nature of the people of this country will perhaps be of assist-

ance to the President in his review of the need and importance of the National Guard.

I wish to thank you in advance for your courtesy and cooperation in this important matter. As time is pressing, may I ask an early reply to this request.

Respectfully yours,

Congresswoman COYA KNUTSON.

Observance of the 100th Anniversary of the Emancipation Proclamation in 1963

EXTENSION OF REMARKS

OF

HON. CHARLES C. DIGGS, JR.

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 23, 1958

Mr. DIGGS. Mr. Speaker, January 1, 1963, will mark the 100th anniversary of the issuance of the Emancipation Proclamation by President Abraham Lincoln. I am introducing today a joint resolution which would establish a Commission to develop and execute suitable plans for the observance of this historic event in 1963. The significance of this document as a milestone in forwarding the principles of democracy throughout the world is so tremendous that the Federal Government of the Nation which declared its concept would be remiss not to take the initiative in developing plans to commemorate and honor its issuance.

Historically, the Emancipation Proclamation has taken its place alongside of all of the great democratic movements of the ages. Historians place it in background against the growth of humanitarian feeling in the age of enlightenment in the 18th century, the spread of the doctrine of the inherent equality of men in the Rousseau movement and others, and the French Revolution in its battle for the rights of man—all leading to the increase of democratic sentiment and consequently to a growing attack on slavery.

While the Emancipation Proclamation was executed by Lincoln as a measure of military necessity and its provisions of freedom were limited to persons held as slaves within specified areas in rebellion against the United States, yet it is recorded in history that because it was the majority will of the people this edict did in fact result in abolition becoming a war aim. The Emancipation Proclamation is, therefore, in reality the ax which laid the first major blow to the shackles of slavery of millions of bondmen. Moreover, it was the Emancipation Proclamation which led to the reaffirming in our National Constitution of the guarantees of life, liberty, justice, and equality inherent in a democratic government for all people. On January 13, 1865, the United States House of Representatives proposed the 13th constitutional amendment, using the language "in honor of the immortal and sublime event." To remove questions of the legal validity of the proclamation as issued under the war power of the President and to liberate slaves everywhere in America and to assure their status from legal doubt, this national measure of ultimate emancipation was effected by

the antislavery amendment to the Constitution.

It is herein that the massive and lasting significance of the Emancipation Proclamation lies. Democratic government is the product of a national faith that only in liberty, without hindrance, are the creative powers of men released that they might be what God intended them. The conflict between its founding principles and its practices had long bitten hard upon the conscience of the Nation. Freedom for all men, the prohibition of slave trade, was discussed when the Constitution of the United States was drawn up. Even earlier than this, on July 13, 1787, the Congress under the Articles of Confederation had passed the ordinance creating the Northwest Territory in which was provided that there should be neither slavery nor involuntary servitude in the said Territory otherwise than in punishment of crimes whereof the party shall have been duly convicted. Congress, itself, by summer of 1862 had imposed emancipation of slaves as a sweeping penalty upon rebels.

The Emancipation Proclamation, reaffirming the fundamental concepts of democracy, thus placed itself before the world as another landmark in man's undying struggle of the ages for civil, political, and personal liberty. For the Negro citizen of America, it is the base from which he has carried forward his struggle for the safeguarding, guaranty, and enforcement of these liberties to the present-day issues of enforcement of voting rights, school desegregation, the right not to be denied job opportunities because of race, the right to travel in human dignity, to be safeguarded by equal protection of the laws—all of the like matters of human rights with which we are today concerned as a Nation. The pursuit of liberty moves forward and will not be turned back.

The profound significance of this first effective document to apply the principles of our national faith to all men is seen today in the world all about us. That the desire for liberty is deathless and unrestrainable is evidenced in the revolts which engulf the world. Our own willingness to bear the costliness of our faith in liberty is starkly dramatized as we move today, as a nation, to give our assistance in preserving democracy.

In initiating now plans to honor the occasion of the issuance of this document on its 100th anniversary in 1963, the Government of the United States will again be reaffirming its faith and again giving leadership in a time when democracy is in crisis.

Arms for Israel

EXTENSION OF REMARKS

OF

HON. ALBERT P. MORANO

OF CONNECTICUT

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 23, 1958

Mr. MORANO. Mr. Speaker, under leave to extend my remarks in the Record, I wish to include the text of a letter

which I sent to President Dwight D. Eisenhower, urging that mutual security aid be accorded to the State of Israel so that the free nation will be equipped to defend itself against aggression in the seething Middle East.

I have also asked that if it will result in swifter arms assistance for the Israelites, that the Israeli Government be permitted to purchase arms on the open market pending the closing of agreements entitling them to mutual security aid.

I also include a press release on this vital subject.

The letter and press release follow:

July 18, 1958.

HON. DWIGHT D. EISENHOWER,
President of the United States,
The White House,
Washington, D. C.

DEAR MR. PRESIDENT: It is essential that the United States mobilize all possible strength to oppose the current threat to those nations of the Middle East which have demonstrated their friendship for the United States and look to the United States for support.

The State of Israel during the decade of its existence has effectively demonstrated its opposition to international communism and its determination to defend its independence at all costs.

In view of recent developments in the Middle East, and because the recent meetings between Nasser and Khrushchev may result in the Soviets furnishing additional arms to the United Arab Republic headed by Nasser, Israel has urgent need for adequate supplies of modern weapons and military equipment. I respectfully urge that you make use of the authority which you possess under the Mutual Security Act to provide such weapons and equipment to Israel on a grant basis, and, if such action would expedite the sending of arms and equipment, that you authorize the immediate sale to Israel of items most urgently required pending the completion of other arrangements.

Sincerely,

ALBERT P. MORANO,
Member of Congress.

Representative ALBERT P. MORANO, Republican, of Connecticut, has asked President Eisenhower to authorize shipments of modern weapons to Israel.

MORANO, a member of the House Foreign Affairs Committee, suggested in a letter to the President that due to the critical situation in the Middle East Israel should be furnished military weapons under the mutual security program.

He emphasized that Communist arms have been going to the Arab forces, and that additional armaments were certain to result from the recent Nasser-Khrushchev meeting, making it imperative that Israel be equipped to defend its territorial borders and the cause of freedom should developments require such action.

MORANO said that if bringing Israel into the family of nations receiving mutual security aid would entail too much delay, then Israel should be permitted to purchase arms on the open market at once, pending the signing of MSA agreements.

"It is essential that the United States mobilize all possible strength to oppose the current threat to those nations of the Middle East which have demonstrated their friendship for the United States and look to the United States for support," MORANO said.

Visit of Ghana Prime Minister to the United States

EXTENSION OF REMARKS OF

HON. FRANCES P. BOLTON

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 23, 1958

Mrs. BOLTON. Mr. Speaker, today we are honored to welcome a distinguished visitor once again to our country, the Honorable Kwame Nkrumah, Prime Minister of Ghana. As one who has enjoyed the warm hospitality of the Prime Minister and his countrymen on two separate occasions, I should like to extend my heartfelt greeting to the Prime Minister and members of his delegation. It is my sincere hope that this visit will further strengthen the bonds of friendship between our two countries, and enhance our understanding of one another.

It has been only little more than a year ago—March 6, 1957—that Ghana attained its independence from Great Britain, thus becoming the first African-governed Dominion in the British Commonwealth. The excitement of that moment has remained in the memory of those of us who were privileged to attend the independence ceremonies in Accra. Emotion rode high as the old assembly was dissolved upon the stroke of midnight, and jubilation swept the massed thousands who stood on the Polo Grounds outside. Born in an atmosphere of confidence and determination, the new nation is best symbolized by the Prime Minister himself.

To Kwame Nkrumah, long champion of freedom for his people, has fallen the responsibility of guiding the young State in its formative years. To bring his country safely out of tribal law into the freedom of a republic as we understand the term is a grave undertaking. He and his councilors will undoubtedly make mistakes. Let us hope that each such experience may bring him greater tolerance and wisdom, for all of Africa looks to Ghana, the symbol of the hope of all Africans south of the Sahara for eventual independence. Upon Dr. Nkrumah's success in dealing with these problems will depend in large measure the date of independence for millions of others. I believe that the Prime Minister is well aware of his responsibility to all of Africa and so to the world.

Much has happened since independence day. The first conference of independent African States was held in Accra; representatives to the United Nations and to certain countries have been appointed; development projects are receiving assistance at the rate of over \$2,800,000 per month; trade missions have been exchanged with West Germany, India, Pakistan, Ceylon, Burma, and Israel; technical and economic assistance agreements have been entered into with the United States, the United Kingdom, and the United Nations; the Black Star shipping line has been inaugurated and a Ghana airline is in process of being negotiated; construction of a \$22 million harbor is under way

at Tema; pure water systems and electric power are being made increasingly available; road improvements in all regions of the country are underway; health campaigns have been organized; and educational facilities are being constantly expanded. In fact, no less than \$36,400,000 have been allocated to education services in all fields at primary, secondary, teacher-training, technical, and university levels since the accelerated plan for education was commenced in 1951.

Nature has been generous to this small country of 4½ million people—a generosity that needs only the technical and economic assistance of more-developed nations to unlock her storehouse of abundance. Gold, manganese ore, bauxite, diamonds, palm oil, rubber, and timber are but a few of the resources with which she has been endowed. Water resources abound providing a potential source of vast industrial power, but as yet remain largely untapped. The great Volta Dam project symbolizes Ghana's industrial future. As the technological leader of the West, it is quite properly to us that the people of Ghana look for the assistance that is so necessary to the development of their economy.

I am confident that the Prime Minister and his people will not find us unresponsive to Ghana's needs and aspirations. Recognizing that her sound economic and political growth is in the best interests of the Free World, we should be prepared to extend whatever technical and economic assistance we are able, consistent with her ability to progress. Already an American team has been dispatched to survey the possibilities of large-scale production of electric power and aluminum on the Volta River. A United States technical cooperation mission has been established and projects initiated to help expand the cattle industry, establish a veterinarian and farmer's training institute, develop an agricultural extension service, and conduct further surveys of agricultural and livestock potential. Let us hope that this is only the beginning of a long and constructive era of cooperation between our two nations.

Mr. Speaker, in conclusion may I once again express my pleasure on this occasion of Prime Minister Nkrumah's official visit to the United States. It is my profound belief that both our countries will be enriched by this experience. That it be followed by an increasing interchange of people and ideas, of understanding and of common interest is my hope.

Visit of Prime Minister Kwame Nkrumah of Ghana

EXTENSION OF REMARKS OF

HON. CHARLES C. DIGGS, JR.

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 23, 1958

Mr. DIGGS. Mr. Speaker, we are pleased to have the Right Honorable

Kwame Nkrumah, Prime Minister of Ghana, pay us a state visit this week. Dr. Nkrumah's visit has especial significance in its timing. It comes when the smoldering political hotbed in the Middle East begins to erupt into open flame. It comes following a *tete-a-tete* between President Gamal Abdel Nasser of Egypt and Premier Nikita Khrushchev of the Soviet Union, with Nasser thereafter openly proclaiming his intention to bring all of Africa and most of Asia under the domination of the United Arab Republic. It comes when the Congress has been trying to resolve the question of how much money to appropriate for our 1959 mutual security program.

Prime Minister Nkrumah and other Government officials in Ghana frankly express their hope for close ties with the United States, as the recognized leader of the Free World. It is of paramount importance to the Free World that leaders like Dr. Nkrumah and President Tubman of Liberia be upheld in their determination not to swap their precious political independence for economic or military dependence on the Communist bloc.

The countries of Asia and Africa make a third of the membership of that most important body, the United Nations. Generally, these countries have maintained neutrality as between communistic and Free-World concepts. If their good will and the balance of power they hold are lost to democracy's cause, Communist domination through the United Nations Assembly is assured.

Last week's coup d'etat in Lebanon is part of a well-organized campaign, Communist inspired, to overthrow the forces of democracy in the Middle East. Even as the United Nations argues the propriety of United States action in sending requested military aid to the duly constituted Government of Lebanon in its valiant and desperate struggle to keep its alliance with the forces of democracy, radio Cairo is blasting forth with intensified effort to incite the people of neighboring Jordan to rise up and slay their leader who also sides with democracy.

If the independent countries of Asia are to succumb one by one to communism under the guise of Arab nationalism, while the United Nations ponders its ability under the U. N. Charter to cope with this type of indirect aggression, the continent of Africa will become the only remaining frontier toward which the Free World can look with hope—the last line of defense to block the forces of worldwide communism. If the Free World does not win Ghana and other independent nations of Africa as permanent allies, the alternative will be their alliance with the Communist bloc as its satellites. Africa, with its vast untapped or underdeveloped resources will ultimately become the focal point in the struggle between democracy and communism for domination of the world. We recognize this, and the Soviet Union is acutely aware of it, too. It is no secret that the Communist bloc is perhaps the most ardent wooer of Africa's expanse of potential wealth. We know, for example, that the Soviet Union already has diplomatic relations with

Ethiopia, that it has been trying to establish such relations with Liberia and with Ghana, and that it has concentrated economic and military aid on Egypt and Sudan. Our special study mission to the Middle East and Africa reports instances of cultural exchanges between the Soviet Union and Ghana. The Soviet Union has offered scholarships to Ghanaian students and has invited Prime Minister Nkrumah and a delegation from the Ghana Parliament to visit the Soviet Union. Communism, as such, is banned in Ghana, and the people eagerly embrace democratic concepts and institutions. The Soviet Union, however, is not discouraged by this setback. Through its scholarship and cultural exchange program, it plans to train a corps of individuals, indoctrinated in Communist concepts, who can initiate Communist front organizations within the country.

Aside from such offensive moves to gain a strong foothold on the African Continent, Communist countries have concurrently taken full advantage of every opportunity to undermine the confidence of African peoples in leading countries of the Free World. Communist propaganda machines play upon racial discrimination and segregation practiced against Negroes in the United States. It capitalizes on instances where individual Africans suffer the indignity of racial discrimination in the United States and in Great Britain. The objective of such propaganda is to portray democracy in a most unfavorable light and hold Communist countries up before the eyes of the peoples of Africa as the real champions of racial equality.

One conclusion reached by members of our special study mission to the Middle East and Africa is that African nations are not now ready for independence and that, their colonial regimes removed, they will require economic assistance far into the unforeseeable future.

I cannot agree that the countries of Africa are not ready for independence simply because they are not economically self-sufficient—because they are not able to accomplish their own aims without external aid or cooperation. What nation—even among the long-established free nations of the world—is able to do so? The inability of nations to produce independently all the things their people need and want has been increased by higher living standards and by the fact that modern-day living has cosmopolitan aspects and strong tastes for foreign goods have been cultivated. Let us take the United States for an example. With all our wealth of natural resources, we are economically dependent upon the Continent of Africa for 100 percent of our diamonds, over 50 percent of our cobalt, and large percentages of our chromite and manganese. Thus, the interdependence of nations is more a natural and a technological phenomenon, not an index of weakness or a justifiable reason for excluding any of them from the society of free men. We have for years been going to the military and economic

assistance of other independent nations, and I firmly believe that the interdependence of nations is by now well established enough for us, as the Free World's leading power, to cease debating the idea of foreign aid or mutual assistance as if it were some untried and unproven principle and get on with the all-important task of seeking the most effective means and areas for applying the greatest amount of aid we can give.

I am aware that many Africans will themselves readily admit that they are not prepared to assume the full financial burden of self-government. But two world wars have brought strong hope to the colonial peoples of Africa as to those elsewhere. Thousands of them fought in World War I and more thousands in World War II. They witnessed in these wars the collapse of colonial empires. They have, meanwhile, watched the progress of India and other nonwhite governments in the Middle East. These developments have keenly whetted their appetites for independence and they are willing to learn to govern themselves the hard way, if necessary, through their own trials and errors. It is a key factor that the fires of nationalism have been unextinguishably kindled throughout Africa. Therefore—the continuing economic dependence of the area notwithstanding—the only question left of major concern is, Who is going to render the necessary aid—the Free World or the Communist nations? With the intensity between democracy and totalitarianism mounting to explosive proportions, it is foolish to ponder whether we can afford to give necessary aid to the underdeveloped areas of Africa. More appropriately, can we afford not to give it? Our military bases in Africa are vital to the defense of the entire Free World.

The Government of Ghana strongly desires to reinforce its political independence by strengthening its economic independence. Undoubtedly, other countries in Africa recognize this same necessity. On the anniversary of its independence, Ghana reported on its progress during the past year and its aspirations for the future. It was unanimously welcomed into the United Nations shortly after independence. It lost no time in establishing diplomatic relations with England, India, France, Liberia, and the United States. It has sent ministerial delegations to other independent nations in Africa and Asia. It has joined the International Bank for Reconstruction, the World Bank, and the International Monetary Fund. Its basic crop is cocoa, but Ghana is working toward greater agricultural productivity. Research programs are underway to eliminate tropical diseases and to stimulate employment. Efforts are being made to broaden the scope of education, to improve roads and other internal facilities, and to encourage foreign investments.

It is of foremost importance that other colonial regimes in Africa pressing toward independence are looking to leaders like Nkrumah to develop independent African states which prove to the world the equal capabilities and potentialities of the black man once he is freed of his

yoke. These colonial regimes will be guided in their resistance to Communist penetration by the success of Ghana and other independent nations in obtaining needed, effective aid from the United States and the rest of the Free World.

The Free World has an edge over the Communist nations, inasmuch as African nations express an overwhelming preference for democratic concepts. We cannot, however, afford to take an attitude of nonresponsibility with respect to their economic needs, for, as drowning nations, they would have no

alternative but to grasp eagerly even the straw which communism would offer them.

In my visit to Africa last year to attend Ghana's independence celebration, I was keenly impressed by the evident confidence and belief in the dignity of man I witnessed, the dignity which comes only when man is truly free. Most assuredly, those people have no intention of trading their European masters for totalitarian rulers. As Vice President Nixon pointed out last year after his visit to Africa, it is not enough that we talk democracy, we must

practice it in our domestic affairs and in our relations with other nations. Any assistance we give to other free nations must not be offered in an air of superiority or paternalism. There must be no question that we value and respect their friendship. And true friendship is a horizontal relationship. It does not follow vertical paths. You do not look down on friends; you look across at them.

In this spirit and cognizance, I join with the rest of the citizens of this country in extending a most cordial welcome to Prime Minister Nkrumah.

SENATE

THURSDAY, JULY 24, 1958

(Legislative day of Wednesday, July 23, 1958)

The Senate met at 10:30 a. m., on the expiration of the recess.

The Chaplain, Rev. Frederick Brown Harris, D. D., offered the following prayer:

Almighty God, in knowledge of whom standeth our life, we turn from the tumult of an angry world, not that we may escape from it, but that we may face the perplexing maze of its tragic problems with strong spirits and quiet minds.

God the all-merciful, earth hath forsaken meekness and mercy and slighted Thy word. Let not Thy wrath in its terrors awaken. Give to us peace in our time, O Lord.

God the all-righteous, man hath defied Thee. Yet to eternity standeth Thy word; falsehood and wrong shall not tarry beside Thee; give to us peace in our time, O Lord.

We ask it in the name of that One whose is the kingdom and the power and the glory. Amen.

THE JOURNAL

On request of Mr. MANSFIELD, and by unanimous consent, the reading of the Journal of the proceedings of Wednesday, July 23, 1958, was dispensed with.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 7153) giving the consent of Congress to a compact between the State of Oregon and the State of Washington establishing a boundary between those States.

COMMITTEE MEETING DURING SESSION OF THE SENATE

Mr. KNOWLAND. Mr. President, at the request of the acting majority leader, I ask unanimous consent that the Com-

mittee on Finance be authorized to meet during the session of the Senate today.

The PRESIDENT pro tempore. Without objection, it is so ordered.

ORDER FOR TRANSACTION OF ROUTINE BUSINESS

Mr. MANSFIELD. Mr. President, I ask unanimous consent that there may be the usual morning hour for the transaction of routine business, and that statements in connection therewith be limited to 3 minutes.

The PRESIDENT pro tempore. Without objection, it is so ordered.

EXECUTIVE COMMUNICATIONS, ETC.

The PRESIDENT pro tempore laid before the Senate the following letters, which were referred as indicated:

PLANS FOR WORKS OF IMPROVEMENT IN CERTAIN STATES

A letter from the Acting Director, Bureau of the Budget, Executive Office of the President, transmitting, pursuant to law, plans for works of improvement on Adobe Creek, Buena Vista Creek, Central Sonoma, Calif., upper Nanticoke River, Del., Donaldson Creek, Ky., Mud Creek, Nebr., Peavine Mountain, Nev., Indian Creek, Tenn., and Miss., and Coon Creek, Wis. (with accompanying papers); to the Committee on Agriculture and Forestry.

AMENDMENT OF ACT RELATING TO PLACING OF CHILDREN IN FAMILY HOMES

A letter from the President, Board of Commissioners, District of Columbia, transmitting a draft of proposed legislation to amend the act entitled "An act to regulate the placing of children in family homes, and for other purposes," approved April 22, 1944, as amended (with an accompanying paper); to the Committee on the District of Columbia.

REPORT PRIOR TO RESTORATION OF BALANCES, DEPARTMENT OF JUSTICE

A letter from the Administrative Assistant Attorney General, transmitting, pursuant to law, a report prior to restoration of balances, in that Department, as of June 30, 1958 (with an accompanying report); to the Committee on Government Operations.

SUMMARY REPORT ON EXAMINATION OF ARMY CONTRACTS WITH BIRDSBORO ARMORCAST, INC.

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a summary report on examination of Department of the Army contracts and subcontracts with Birdsboro Armorcast, Inc., Birdsboro, Pa., dated July 1958 (with an accompanying report); to the Committee on Government Operations.

REPORT ON REVIEW OF PROCUREMENT OF CERTAIN AIRCRAFT PARTS, DEPARTMENT OF THE AIR FORCE

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on review of requirements determinations and related procurement for spare parts for aircraft and aircraft accessories, Oklahoma City Air Materiel Area, Department of the Air Force, dated July 1958 (with an accompanying report); to the Committee on Government Operations.

REPORT ON TORT CLAIMS PAID BY DEPARTMENT OF AGRICULTURE

A letter from the Administrative Assistant Secretary of Agriculture, transmitting, pursuant to law, a report on tort claims paid by that Department, for the period July 1, 1957, to June 30, 1958 (with an accompanying report); to the Committee on the Judiciary.

PETITIONS AND MEMORIALS

Petitions, etc., were laid before the Senate, or presented, and referred as indicated:

By the PRESIDENT pro tempore:

A letter in the nature of a petition from the Good Citizens Club of Metropolitan Detroit, Mich., signed by Selma Rice, secretary, endorsing certain suggestions with respect to the omnibus housing bill (with an accompanying paper); to the Committee on Banking and Currency.

The petition of George W. E. Spratt, of Ramsey, N. J., praying for a redress of grievances in regard to tariff increases granted by the Interstate Commerce Commission; to the Committee on Interstate and Foreign Commerce.

The petition of T. H. Sutherland, M. D., secretary-treasurer, the Aero Medical Association, of Marion, Ohio, praying for the enactment of legislation providing for the establishment of a medical department in the Civil Aeronautics Administration; to the Committee on Interstate and Foreign Commerce.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. MAGNUSON, from the Committee on Interstate and Foreign Commerce, without amendment:

H. R. 9196. An act to authorize the construction of a nuclear-powered icebreaking vessel for operation by the United States Coast Guard, and for other purposes (Rept. No. 1931).

By Mr. HAYDEN, from the Committee on Rules and Administration, without amendment:

S. 4174. A bill to authorize the distribution of copies of the CONGRESSIONAL RECORD to former Members of Congress requesting such copies (Rept. No. 1933);